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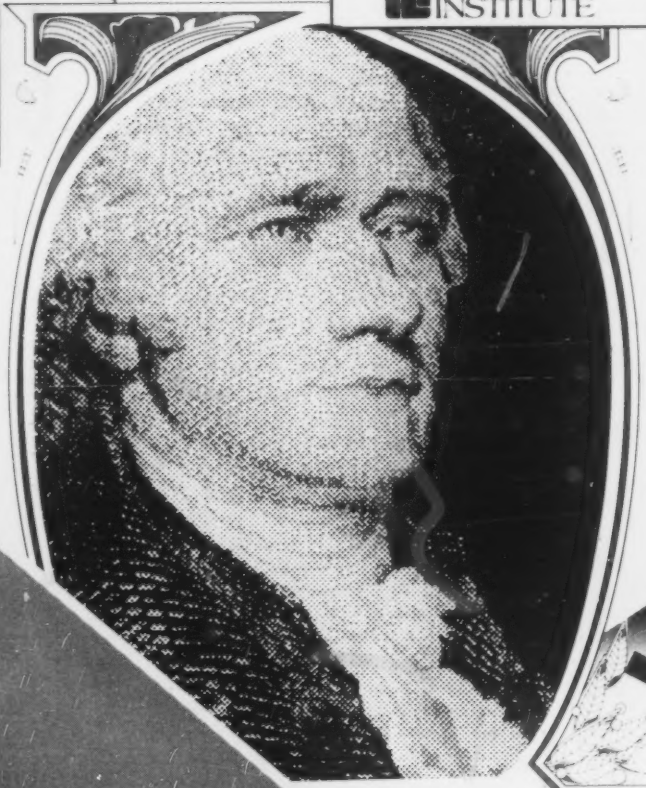

Mutual Fund fact book

INVESTMENT COMPANIES

31st EDITION

INVESTMENT COMPANY INSTITUTE

Industry Trends and Statistics for 1990

$15.00

Mutual fund fact book

31st Edition
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How to Use This Book

The *1991 Mutual Fund Fact Book* is a basic guide to the trends and statistics that were observed and recorded during the year of 1990.

Text and Data. The *Fact Book* is divided into two main sections—text and data. A glossary appears at the end of the text section.

The first part of the book—text—covers the general history and development of the industry, key benefits and features of mutual funds, and how they are sold, plus 1990 trends in mutual funds. Charts, graphs, and tables illustrating sales, assets, redemptions, exchanges, and other trends help you compare 1990 to prior years. To locate specific charts, graphs, and tables in this part of the book, refer to the index on page 119.

The data section (the **teal** pages) begins with its own table of contents to help you find specific information quickly. Each data table in this section is clearly labeled by classification, for example, Industry Totals, Long-term Funds, Short-term Funds, etc. If you cannot find the data you need in the data table of contents, refer to the index on page 119.

Data Classification. As you use the *Fact Book*, keep in mind that the industry usually divides its statistics into two broad categories: long-term funds (stock, bond, and income funds) and short-term funds (money market and short-term municipal bond funds). To obtain the total industry picture, refer to the notes that may appear at the bottom of the tables in both the text and data sections (the **teal** pages). For example, in the Long-term Funds section, a note at the bottom of the page will refer you to comparable short-term data or total industry data.

The data section containing total industry statistics includes information on shareholder assets, accounts, and number of funds. Industry totals are broken down from the two broad categories into four separate ones: equity funds, bond and income funds, money market funds, and short-term municipal bond funds. This breakdown should give you a more detailed picture of industry activity.

The industry totals section does not provide total sales figures that combine long-term and short-term fund sales. Due to the special nature of short-term funds and the huge, continuous inflows and outflows of money they experience, it would be misleading to add their sales figures to those of long-term funds. Tracking periodic changes in total assets is usually the preferred method of following trends of short-term funds.

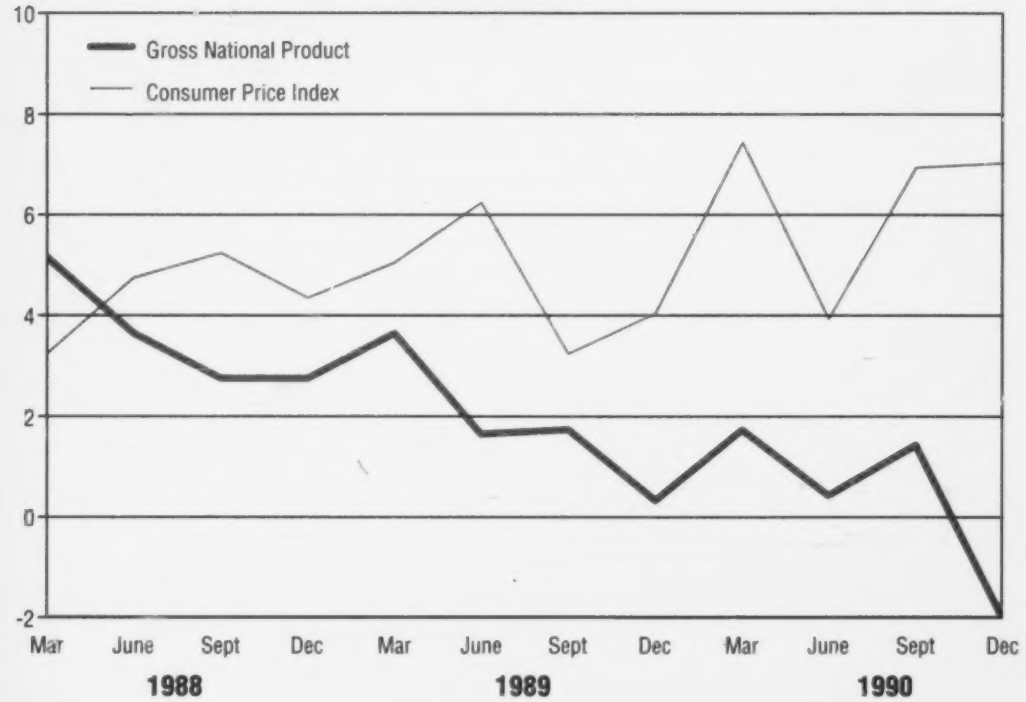
Other data sections cover long-term funds, short-term funds, exchanges, retirement plans, and institutional investors in more detail. Some data are broken down by investment objective. The Institute identifies 22 major categories of investment objectives, which are defined on pages 12 and 13.

I. 1990: Staying the Course

In 1990, the longest peacetime economic expansion in modern U.S. history came to a halt. It was not, however, a screeching halt. The growth of the GNP had been on a downtrend since the summer of 1987, and by early 1990 a positive GNP growth rate could barely be measured. Industrial production was actually falling, and as the year progressed, demand weakened. The consumer confidence index kept sliding, growth of payroll employment decelerated, housing starts continued their decline, real (i.e., inflation-adjusted) earnings plunged, and consumption expenditures stagnated. Strong exports and continued high public sector expenditures sustained the expansion briefly, but the onset of an economic slowdown was a matter of when, rather than if.

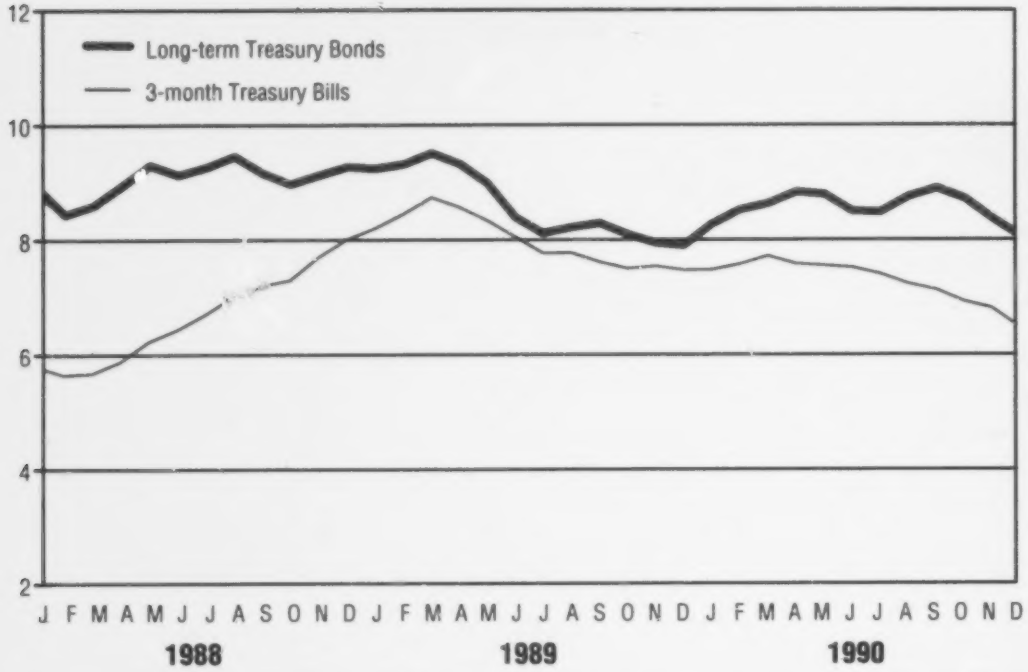
The straw that broke the American economy's back, was, of course, the Iraqi invasion of Kuwait on August 2. Virtually overnight, crude oil prices escalated with a strong ripple effect on price indexes for consumers and, especially, producers. The impact on the collective psychology was even more serious: the fear of future inflation intensified, the consumer confidence

Annualized Rate of Change
GNP vs. CPI

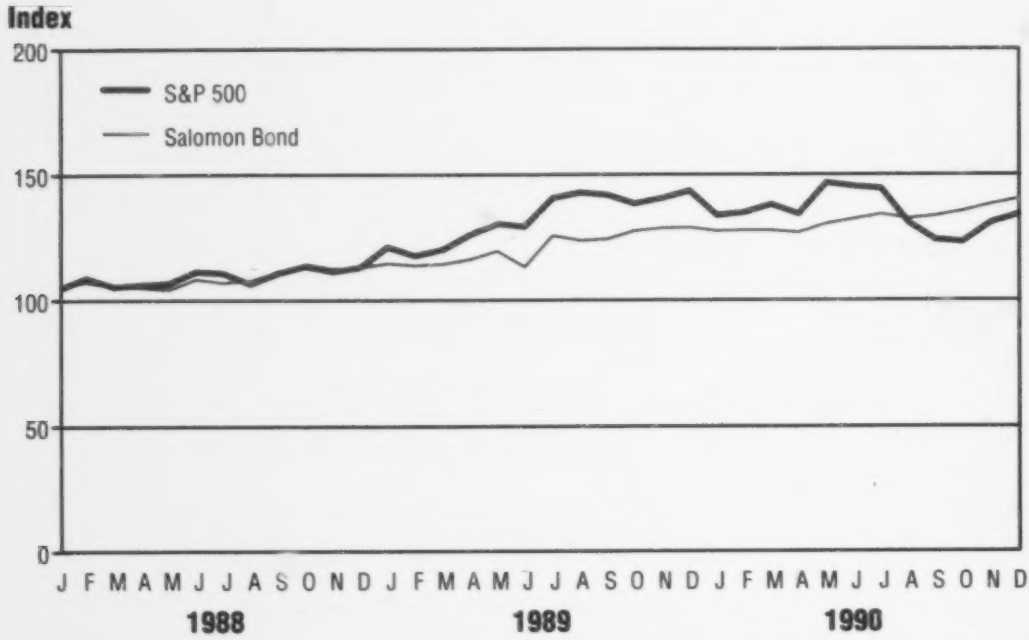


Interest Rates

(percentages)



Stock and Bond Indexes



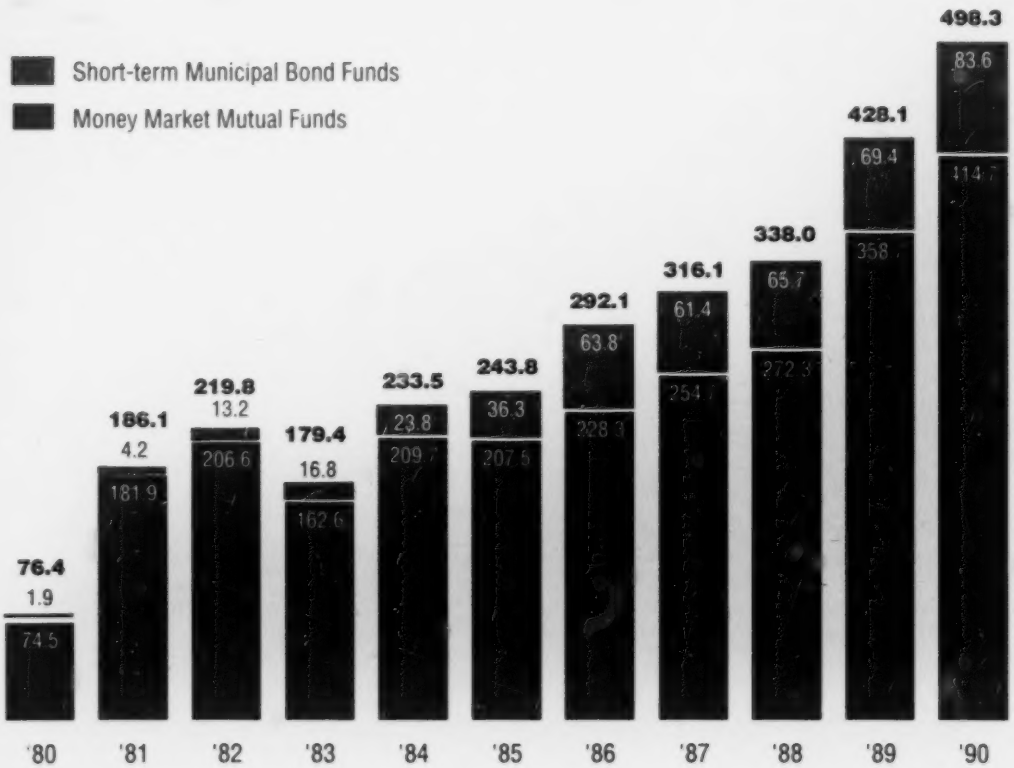
index collapsed, orders for nondefense capital goods and expenditures on construction fell, housing starts declined further, and the payroll employment continued to shrink. In September, the economic contraction of 1990 became evident, and in the year's last quarter the economy spiraled downward at a fairly rapid rate. As 1991 began, economic indicators suggested that the contraction would continue for another quarter or two.

One might have expected that in such an economic environment, financial markets would experience severe distress. However, despite the circumstances, the markets performed quite well. Bond prices, after rising steadily throughout 1989, fell early in the year and continued downward until early summer. They fell even more in August and September, in the wake of the invasion of Kuwait. By then, the signs of a weakening economy were abundant. Moreover, after many months of a fairly restrictive credit policy designed to prohibit any acceleration of inflation, the Federal Reserve Board (the Fed) began easing its grip on credit in early autumn.

The effect of this policy was most pronounced on short-term interest rates, which rapidly decreased. The response of bond yields was more subdued, but they also started falling from their September peak. At the end of 1990, and despite uncertainties induced by the Gulf crisis, bond yields were not much higher than they had been at the beginning of the year.

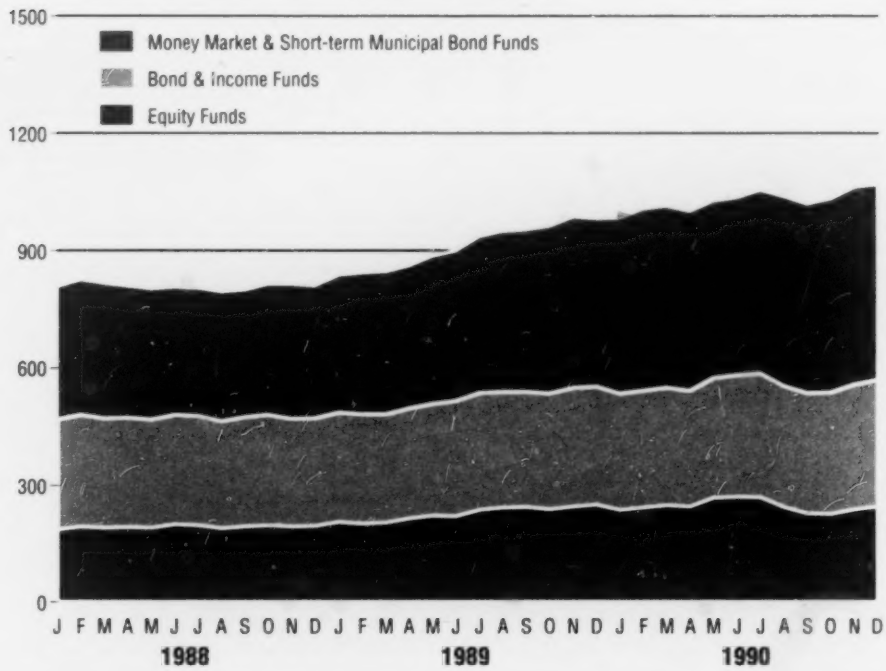
Total Net Assets of Short-term Funds

(billions of dollars)



Mutual Fund Total Net Assets

(billions of dollars)


1500
1200
900
600
300
0
Money Market & Short-term Municipal Bond Funds
Bond & Income Funds
Equity Funds
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1988
1989
1990

The stock market also turned out to be relatively immune to the economy's performance. During the first few months of 1990, equity prices fell slightly—the Dow Jones Industrial Average by about 5 percent from its level on January 1, and the NASDAQ Composite Index by some 8 percent. A robust early summer rally carried all stock market indexes to their record high. Blue chip stocks performed especially well, bringing the Dow to the very threshold of the 3,000 mark.

Stock prices began to fall steeply in July, and the invasion of Kuwait accelerated the slide. By early October, the Dow had fallen about 20 percent from its peak. The deterioration among small capitalization stocks was even more severe, as the NASDAQ Composite Index lost 30 percent of its July value. But then a sustained advance began which continued throughout the remainder of 1990 and into 1991. On the eve of 1991, the loss for the year in the Dow was reduced to 4.3 percent, and in the S&P 500, to 6.6 percent. However, the NASDAQ Composite Index still ended 1990 almost 18 percent below where it had stood at the beginning of the year.

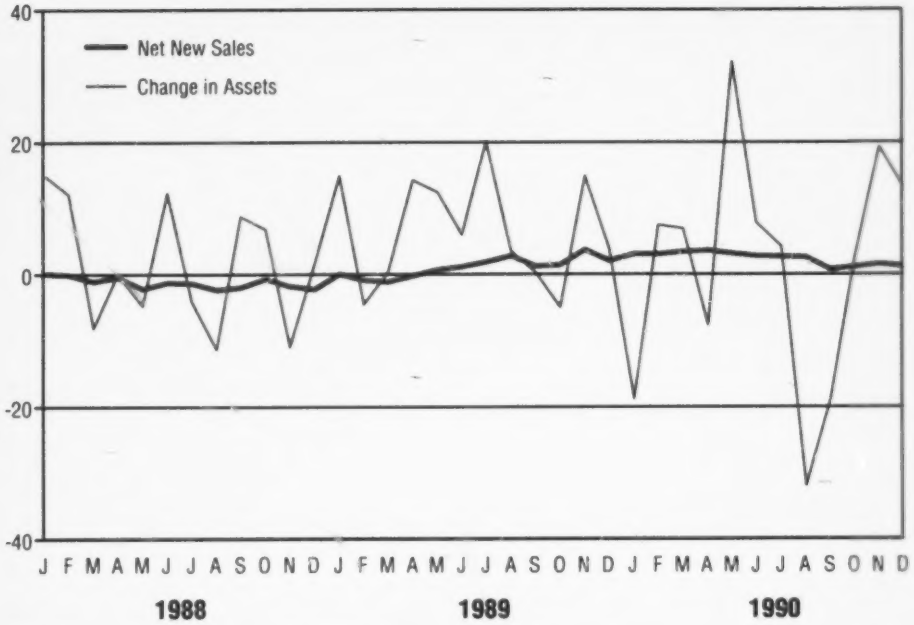
Against this economic and financial background, the performance of the mutual fund industry was good in terms of overall asset growth as well as in attracting new money.

In 1990, the mutual fund industry's assets exceeded $1 trillion for the first time. Also for the first time, short-term fund assets reached the $½ trillion level. Overall, assets of mutual funds had a net gain for the year of $87.2 billion.

As in 1989, short-term funds attracted the greatest attention. Their assets grew by $70.2 billion, from $428.1 to $498.3 billion, or 80 percent of the overall asset growth. New money (i.e.,

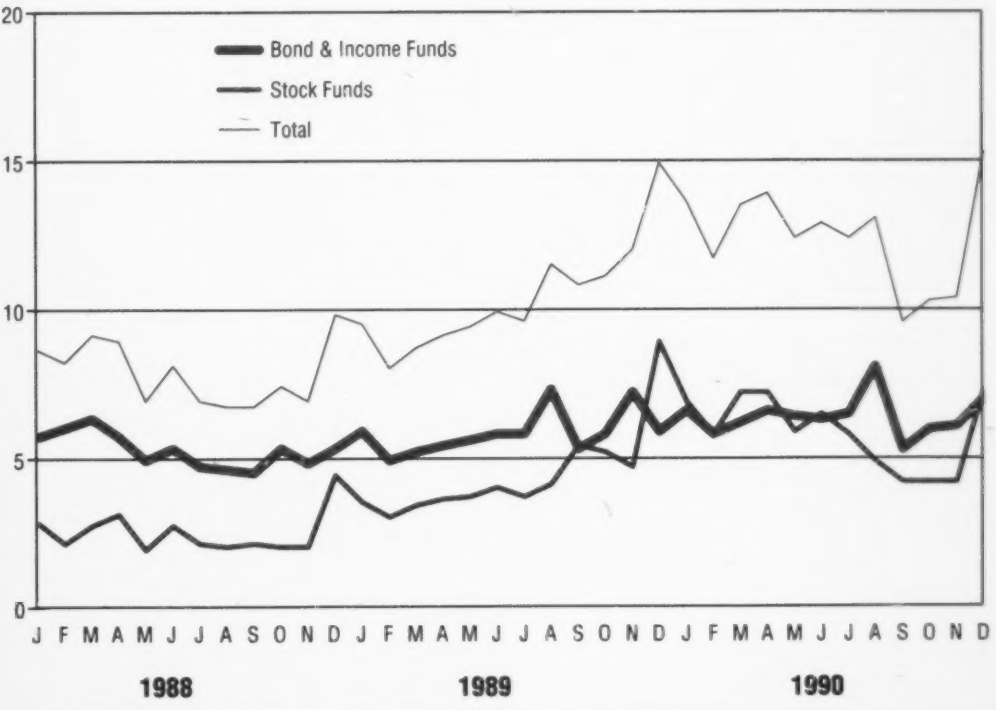
Change in Assets and Net New Sales of Long-term Mutual Funds

(billions of dollars)



Mutual Fund Sales

(billions of dollars)



net sales plus net exchanges) accounted for more than 70 percent of this increase. By contrast, in 1989, when the total mutual fund industry assets grew by a spectacular $172 billion, short-term funds contributed only 52.3 percent to this asset growth.

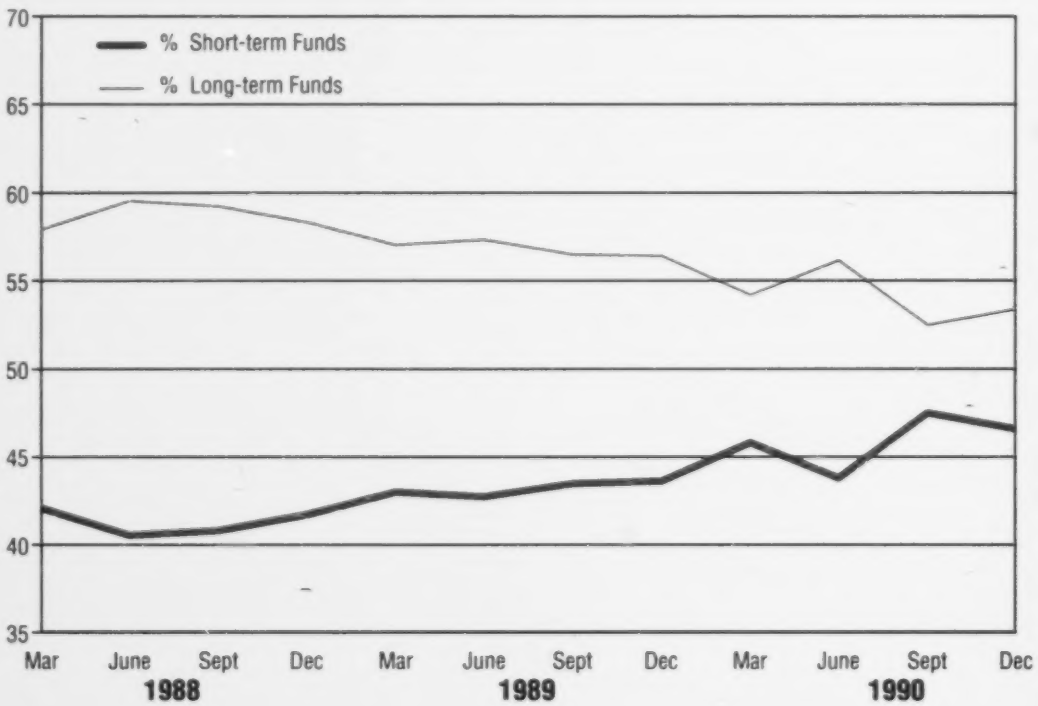
Assets of taxable money market funds grew from $358.7 billion at yearend 1989 to $414.7 billion at yearend 1990, for a net increase of $56 billion or 15.6 percent from the level of a year before. This growth occurred despite the narrowing of differences in 1989 between yields of money market mutual funds and yields of alternative investments. However, this yield differential, which was approximately 1.7 percent throughout most of 1990, eroded by the end of the year and then shrank further, rather drastically, in early 1991.

The biggest percentage increase in assets was realized in short-term municipal bond funds. Assets of these funds rose from $69.4 billion at yearend 1989 to $83.6 billion for a net increase of $14.2 billion, or 20.5 percent. At the end of 1990, taxable and tax-exempt short-term fund assets combined were $498.3 billion, or 46.6 percent of all mutual fund assets, the highest proportion in many years.

Long-term fund assets rose by $16.9 billion, with assets of bond and income funds increasing by $20.2 billion and assets of equity funds falling by $3.3 billion.

The relatively modest increase in long-term fund assets—by some 3 percent in 1990 versus 17.3 percent in

Total Net Assets
Short-term vs. Long-term Funds



1989—masks quite good sales results. Net new sales of long-term funds in 1990, at $30.1 billion, were more than double the 1989 figure of $13.5 billion. Of the $30.1 billion, bond and income funds accounted for $11.4 billion and equity funds for $18.7 billion. Dividend reinvestments added $21.2 billion to long-term fund assets, of which $14.2 billion were in bond and income funds and $7.0 billion in equity funds.

However, as indicated earlier, bond and, especially, stock prices were lower at the end of the year than at the beginning. This resulted in a depreciation of the market value of mutual fund bond and equity assets—the first such significant depreciation of values for the calendar year since 1981. However, the effect was entirely reversed in the first two months of 1991.

In any event, strong inflows into bond and income funds more than offset the very modest drop in value of assets held by these funds, thereby resulting in an overall asset gain. Equity funds, however, experienced a more pronounced depreciation of asset values for the year. New net sales and dividend reinvestments were not sufficient enough to offset the drop, and thus equity fund assets declined slightly in 1990.

As 1991 began to unfold, resolution of the Gulf crisis and anticipation of an early end to the recession combined to produce a powerful surge in the stock market and a very substantial pick up in sales of equity mutual fund shares. Simultaneously, deliberate easing of credit by the Fed and the ensuing drop in short-term interest rates rendered bond yields relatively more attractive. The result was an increase in inflows to bond and income funds. At the same time, and despite the significantly lower yields they offered, assets of short-term funds continued to grow.

The enormously high rate of increase in overall mutual fund assets in early 1991 was in part due to a confluence of special factors and cannot be sustained throughout the year. Nevertheless, the prevailing economic and financial conditions in early 1991 suggest that the current year will again witness a substantial expansion of the mutual fund industry in terms of asset growth.

II. What Is a Mutual Fund?

The Basics

A mutual fund is a company that makes investments on behalf of individuals and institutions with similar financial goals.

Pooling is the key to mutual fund investing. By pooling the financial resources of thousands of shareholders—each with a different amount to invest—investors gain access to the expertise of the country's top money managers, wide diversification of ownership in the securities markets, and a variety of services otherwise available only to institutions and wealthy families and individuals. The total number of shares outstanding changes from day to day as the mutual fund issues new shares when more money is invested in it and as the fund redeems, or buys back, shares from investors.

Professional money managers take this pool of money and invest it in a variety of stocks, bonds, or other securities selected from a broad range of industries and government agencies and authorities. In effect, each mutual fund investor then owns a percentage of the portfolio developed by the fund's money managers.

Fund managers make the decisions on when to buy, when to sell, and when to hold securities based on their extensive research. They consider the financial health of individual companies, taking into account general economic and market trends, and gather data from a variety of economic and statistical resources.

When the securities appreciate in value—or pay out dividends or interest—all the fund's investors reap their proportionate share. Investors who put $1,000 in the fund get the same rate of return or yield per share as those investing $100,000.

The money managers select securities that best meet their fund's investment objective, as explained in the fund's prospectus. Investment objectives are usually described in terms of one or more main goals. These may include stability—protecting the principal (initial amount invested) from loss; growth—increasing the value of the principal; and income—generating a continuous flow of income through dividends.

The investment objective set forth by the fund is important to both the manager and the investor. The fund manager uses it as a guide when choosing investments for the fund's portfolio. Investors use it to determine which funds are suitable for their needs. Mutual funds' investment objectives cover a wide range, from higher risk in the search for higher returns to immediate income from more stable investments. The Investment Company Institute classifies mutual funds into 22 major categories of investment objectives. (For a definition of each, see pages 12-13.)

To achieve these objectives, fund managers may invest in as many as 50 to 200 or more different securities, seeking diversification among companies, industries, and other organizations and institutions in order to

reduce investment risk. The object: to avoid putting all one's investment eggs in one basket.

Some funds may choose to diversify their investments within a specialized segment of the securities markets. For example, funds may invest in a particular industry, such as health care services, technology, energy, or utilities. Other funds may invest in particular segments of the economy, such as small businesses or real estate. Still other funds may develop portfolios of companies that meet certain social criteria.

A mutual fund whose investment selections have a narrow focus tends to be more volatile than the markets as a whole. Although these specialty mutual funds are less diversified than many other mutual funds, investing in them will provide greater diversification *within* that sector than investing in just one or two individual securities.

The Institute compiles lists of 14 different specialty fund categories. Descriptions of those categories, as well as an index of funds within each category are included in ICI's *Directory of Mutual Funds* (see order form at the back of this book).

Earning Money Through Funds

Mutual funds can make money for their shareholders in three ways. One, they pay shareholders dividends and interest earned from the fund's investments. Two, if a security held by a fund is sold at a profit, funds pay shareholders capital gain distributions. And three, if the value of the securities held by the fund increases, the value of each mutual fund share increases proportionately.

For example, if a fund's investment objective is current income, it will invest in stocks or bonds which produce current dividends or interest. Then the fund passes through to its shareholders the dividends from those earnings.

Capital gains are realized when a fund sells a security for a higher price than it originally paid. The fund usually passes that gain through to its shareholders as a capital gain distribution. (If the gain is not passed along, investors profit from an increased value of their fund shares.)

Shareholders can have dividends and capital gains reinvested in additional shares of the fund or they can have the fund send them a check for the amount of earnings.

If the securities held in the fund's portfolio increase in value, but the fund holds on to those securities instead of selling them, this increases the value of the fund's total portfolio and thus the fund's price per share.

When investors pool their money in a mutual fund, their dollars buy shares in that fund. To determine the price of these shares, at the end of each business day the fund adds up the value of all securities held in its portfolio, after expenses, and divides the total by the number of shares outstanding. Unlike a traditional corporation, mutual funds can issue an unlimited number of shares. In addition, shareholders have the right to redeem part or all of their holdings at any time.

Each day, the fund must determine both the value of its portfolio and how many shares are outstanding. That simple calculation gives the fund its Net Asset Value or NAV. Because it represents the value of a single share in the fund, the NAV is important to know when the fund shareholder is either redeeming shares or purchasing new ones.

To determine the value of their holdings, individual fund shareholders simply multiply the number of shares they own by the NAV. Although the NAV may not seem to change much

over time, dividend and capital gain reinvestments can contribute toward buying many more shares than originally purchased. So even if the price of each share does not change a great deal, owning many more of them represents an increase in the value of the shareholder's investment.

Under the Internal Revenue Code, mutual funds that observe certain guidelines serve as conduits through which the capital gains, dividends, interest, and other income flow through from the securities held in the fund's portfolio to the shareholders. Ordinarily, mutual funds pay no tax on this income. Instead, individual shareholders treat dividends and capital gains received from the fund exactly as they would had they bought and sold the securities themselves without the fund serving as an intermediary.

For tax purposes, shareholders receive a yearend statement from the fund showing clearly what part of the money distributed to them represents ordinary income and what part represents long-term capital gains. (Even though dividends and long-term capital gains are taxed the same under the Tax Reform Act of 1986, the distinction between them is maintained since capital gains can still be offset by capital losses.) Shareholders also receive regular statements from the fund that not only show them how their investments are doing, but also report on the fund's progress, its portfolio holdings, expenses, changes in management, and other relevant data.

How a Fund Is Organized

A mutual fund is owned by its hundreds or thousands of shareholders. A board of directors elected by the shareholders is responsible for carrying out the fund's investment policies and objectives. The board is authorized to appoint officers to manage the daily operation of a fund or to delegate that function to a management company.

The management company, which is often the organization that created the fund, may offer anywhere from one to a dozen or more mutual funds, each with a different investment objective. Some of these funds may have separate "classes," or fee structures to meet different investor needs. The management company may also offer other financial products and services. (See the chapter entitled, "Services to Meet Investor Needs" for a description of some of these services.) The management company usually serves as the fund's investment adviser or money manager.

The investment adviser is usually paid for the services of managing the fund and selecting its portfolio through a fee based on the total value of assets managed. Such investment management fees average about one-half of one percent annually. Other fund operating expenses are usually in the same range, for a total of about one percent per year for all the fund's costs of operations. (See page 36 for a more detailed discussion of fees.)

In addition to the investment adviser, the fund may also contract with a custodian, a transfer agent, and a principal underwriter. The custodian is usually a bank and its functions include safeguarding the fund's assets, making payments for the fund's portfolio of securities, and receiving payments when securities are sold. The transfer agent performs the shareholder recordkeeping services. It will issue new shares, cancel redeemed shares, and distribute dividends and capital gains to shareholders. The principal underwriter arranges for the distribution of the fund's shares to the investing public.

Types of Mutual Funds

Aggressive Growth Funds seek maximum capital gains as their investment objective. Current income is not a significant factor. Some may invest in stocks of businesses that are somewhat out of the mainstream, such as fledgling companies, new industries, companies fallen on hard times, or industries temporarily out of favor. Some may also use specialized investment techniques such as option writing or short-term trading.

Balanced Funds generally have a three-part investment objective: 1) to conserve the investors' initial principal, 2) to pay current income, and 3) to promote long-term growth of both this principal and income. Balanced funds have a portfolio mix of bonds, preferred stocks, and common stocks.

Corporate Bond Funds, like income funds, seek a high level of income. They do so by buying bonds of corporations for the majority of the fund's portfolio. The rest of the portfolio may be in U.S. Treasury bonds or bonds issued by a federal agency.

Flexible Portfolio Funds may be 100 percent invested in stocks OR bonds OR money market instruments, depending on market conditions. These funds give the money managers the greatest flexibility in anticipating or responding to economic changes.

GNMA or Ginnie Mae Funds invest in mortgage securities backed by the Government National Mortgage Association (GNMA). To qualify for this category, the majority of the portfolio must always be invested in mortgage-backed securities.

Global Bond Funds invest in the debt securities of companies and countries worldwide, including the U.S.

Global Equity Funds invest in securities traded worldwide, including the U.S. Compared to direct investments, global funds offer investors an easier avenue to investing abroad. The funds' professional money managers handle the trading and recordkeeping details and deal with differences in currencies, languages, time zones, laws and regulations, and business customs and practices. In addition to another layer of diversification, global funds add another layer of risk—exchange-rate risk.

Growth Funds invest in the common stock of well-established companies. Their primary aim is to produce an increase in the value of their investments (capital gains) rather than a flow of dividends. Investors who buy a growth fund are more interested in seeing the fund's share price rise than in receiving income from dividends.

Growth and Income Funds invest mainly in the common stock of companies that have had increasing share value but also a solid record of paying dividends. This type of fund attempts to combine long-term capital growth with a steady stream of income.

High-yield Bond Funds maintain at least two-thirds of their portfolios in lower-rated corporate bonds (Baa or lower by Moody's rating service and BBB or lower by Standard & Poor's rating service). In return for a generally higher yield, investors must bear a greater degree of risk than for higher-rated bonds.

Income-Bond Funds seek a high level of current income for their shareholders by investing at all times in a mix of corporate and government bonds.

Income-Equity Funds seek a high level of current income for their shareholders by investing primarily in equity securities of companies with good dividend-paying records.

(continued on next page)

Types of Mutual Funds *(continued)*

Income-Mixed Funds seek a high level of current income for their shareholders by investing in income-producing securities, including both equities and debt instruments.

International Funds invest in equity securities of companies located outside the U.S. Two thirds of their portfolios must be so invested at all times to be categorized here.

Long-term Municipal Bond Funds invest in bonds issued by states and municipalities to finance schools, highways, hospitals, airports, bridges, water and sewer works, and other public projects. In most cases, income earned on these securities is not taxed by the federal government, but may be taxed under state and local laws. For some taxpayers, portions of income earned on these securities may be subject to the federal alternative minimum tax.

Money Market Mutual Funds invest in the short-term securities sold in the money market. These are generally the safest, most stable securities available, including Treasury bills, certificates of deposit of large banks, and commercial paper (the short-term IOUs of large U.S. corporations).

Option/Income Funds seek a higher current return by investing primarily in dividend-paying common stocks on which call options are traded on national securities exchanges. Current return generally consists of dividends, premiums from writing options, net short-term gains from sales of portfolio securities on exercises of options or otherwise, and any profits from closing purchase transactions.

Precious Metals/Gold Funds maintain two thirds of their portfolios invested in securities associated with gold, silver, and other precious metals.

Short-term Municipal Bond Funds invest in municipal securities with relatively short maturities. These are also known as tax-exempt money market funds. For some taxpayers, portions of income from these securities may be subject to the federal alternative minimum tax.

State Municipal Bond Funds—Long-term work just like other long-term municipal bond funds (see previous page) except their portfolios contain the issues of only one state. A resident of that state has the advantage of receiving income free of both federal and state tax. For some taxpayers, portions of income from these securities may be subject to the federal alternative minimum tax.

State Municipal Bond Funds—Short-term work just like other short-term municipal bond funds (see previous page) except their portfolios contain the issues of only one state. A resident of that state has the advantage of receiving income free of both federal and state tax. For some taxpayers, portions of income from these securities may be subject to the federal alternative minimum tax.

U.S. Government Income Funds invest in a variety of government securities. These include U.S. Treasury bonds, federally guaranteed mortgage-backed securities, and other government notes.

How Funds Are Distributed

Fund shares are distributed to the public in a variety of ways. There are two basic avenues, however: funds that market their shares directly to the public and those that market their shares through a sales force. Funds that market shares directly often use advertising and direct mail to reach investors. Their shares are usually distributed with a low or no sales commission. In some cases, the fund's directors may authorize use of a small percentage of fund assets to support distribution efforts. This is known as a "12b-1 fee," named for the Securities and Exchange Commission (SEC) rule that permits it.

Fund shares marketed through a sales force are available through

brokers, financial planners, insurance agents, and, in some cases, through a sales force employed by a fund organization specifically to market the shares of its associated funds. These sales people may be compensated for their services to the investor through a direct sales commission included in the price at which the fund's shares are offered, through a 12b-1 distribution fee paid by the fund, or in both ways. An underwriter may act either as a wholesaler, selling fund shares to securities dealers, or it may retail directly to the public.

All mutual fund activities are highly regulated. Mutual funds must register with the SEC pursuant to the Investment Company Act of 1940. The activities of mutual funds and their relationship with the public are regulated under this and other federal securities laws, as well as the securities laws of all the states where securities are sold. (See the "Regulation and Taxation" chapter.)

III. Historical Background

America's mutual fund industry has enjoyed enormous success since the first fund was organized in Boston in 1924.

That fund, and the profusion of funds to follow, were an outgrowth of a concept originating in nineteenth century England. Some years later, money invested in English and Scottish investment companies (or trusts, as they are known there) contributed to the financing of the American economy after the Civil War. Investors in these British companies financed U.S. farm mortgages, railroads, and other industries.

In the early 1920s, as twentieth century America began to mature, many types of financial institutions were formed, offering Americans more investment opportunities. Several companies, most of them located in New York, Boston, and Philadelphia, tried to meet those needs. Soon, these bankers, brokers, and investment counselors were joined by mutual funds.

Shortly after the first funds were organized, America witnessed the stock market crash of 1929. Despite setbacks, many of the efficiently managed investment companies maintained their pattern of growth and service, and the industry grew dramatically over the years.

In 1936, under a congressional mandate, the Securities and Exchange Commission (SEC) undertook a special study of investment companies which culminated in the Investment Company Act of 1940. Soon afterward, industry professionals who had worked closely with the SEC to draft the 1940 act decided to form a permanent committee to cooperate with the SEC in formulating rules and regulations that would implement the new law. The committee would also stay informed of trends in state and federal legislation affecting mutual funds. This pioneering group was called the National Committee of Investment Companies.

As their activities increased, the committee leadership decided in October 1941 to change the organization's name to the National Association of Investment Companies (NAIC). Based in New York, NAIC took on the responsibilities of public education, liaison with the SEC, and monitoring legislation affecting mutual funds, as well as exerting a strong influence to maintain high industry standards. The NAIC changed its name to the Investment Company Institute (ICI) in 1961, and in 1970, the association moved to Washington, DC.

The Investment Company Institute marked its 50th anniversary in October 1990. Since its birth—a consequence of the 1940 legislation—the industry ICI represents has experienced staggering growth. From just $448 million in assets and 296,000 shareholder accounts in 1940, it quickly reached $1 billion in assets in 1945 and one million accounts in 1951. By the early 1970s, the industry was already composed of nearly 400 funds with more than $50 billion in assets, and at yearend 1990,

the industry had grown to more than 3,100 funds with more than $1 trillion in assets. Investment companies are now the nation's third largest financial industry.

Initially, mutual funds provided a way to invest in the stock market, but a new concept in the early 1970s signaled a dramatic industry change—the money market mutual fund. This novel concept let the small investor participate in the high short-term interest rates of the money market that previously were available only to major institutions and the wealthy.

The idea cracked the mold in many respects. First, investors new to mutual funds gave money market funds a try. Some had never had their money in anything but 5¼ or 5½ percent passbook accounts. Many learned the value of the mutual fund concept and, in fact, 30 percent of all mutual fund investors say their first fund was a money market fund.

Second, the money market funds sparked a surge of creativity in the industry. What followed were municipal bond funds in 1976 (achieved in the enactment of the Tax Reform Act of 1976), option/income funds in 1977, government income and Ginnie Mae funds in the early 1980s, and specialty or sector funds throughout that period.

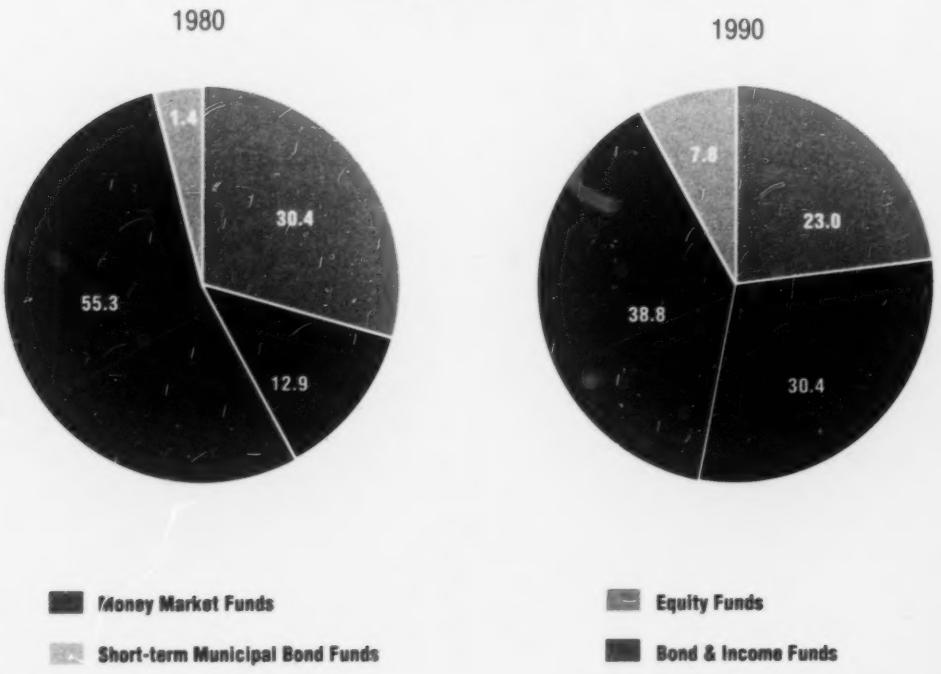
The industry continues to grow and prosper despite periods of market volatility. Through dedication to a very simple proposition—that an investment product could offer diversification and professional management at reasonable cost—the investment company industry has played a significant role in opening the securities markets to 36 million individual investors.

IV. Growth and Development

The distribution of assets in mutual funds has shifted dramatically over the past ten years. In the early eighties, assets were heavily concentrated in money market mutual funds due to rising interest rates, low stock prices, and a slowdown in the economy. Money market funds had actually been introduced in 1972 in a similar economic environment for investors who wanted an alternative to the risks of investing in equity funds. In 1980, money market funds represented 55 percent of all mutual fund assets, while equity funds were 30 percent, bond and income funds were 13 percent, and short-term municipal bond funds were 2 percent.

As the economy grew stronger again in the mid-eighties, assets of bond and income funds rose as a result of both appreciation of portfolios and net inflows. Net sales were $68.6 billion in 1985 and $118.3 billion in 1986, compared to $16.5 billion in 1984, and positive net exchanges were $1.7 billion

Percent Distribution of Total Net Assets by Type of Fund



Number of Mutual Funds

in 1985 and $0.3 billion in 1986, compared to -$0.4 in 1984. Assets of equity funds also grew, but more slowly. Toward the end of the eighties, assets were more evenly distributed among three of the four categories. At the end of 1990, money market funds represented 39 percent, bond and income funds were 30 percent, equity funds were 23 percent, and short-term municipal bond funds were 8 percent of all mutual fund assets.

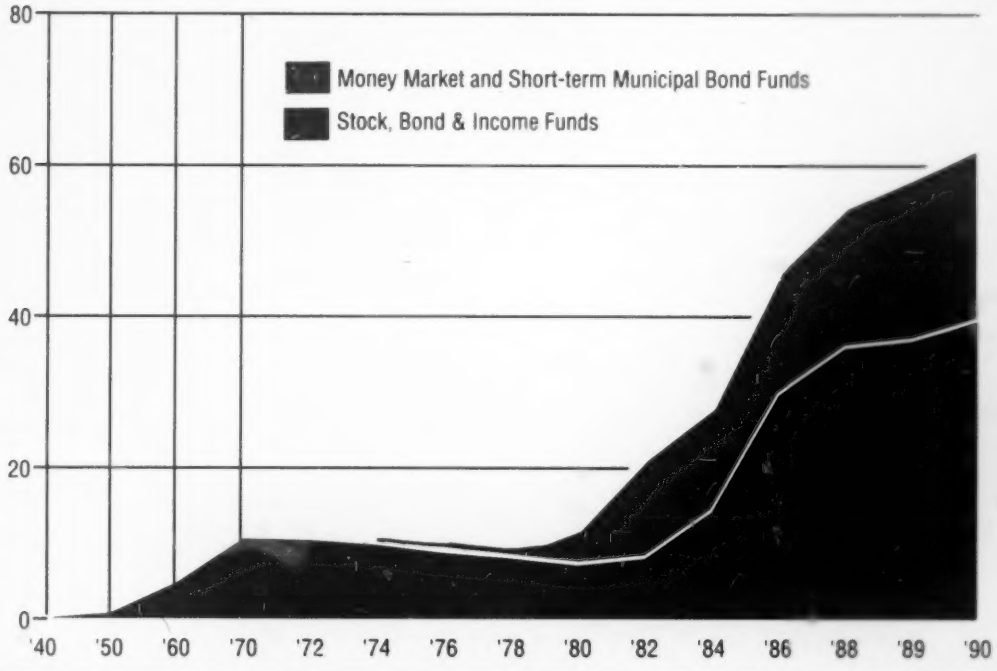
Total assets skyrocketed in the past ten years, passing the trillion dollar mark in mid-January 1990 and staying above that mark throughout the year. Short-term fund assets reached the $½ trillion level for the first time. Money market fund assets were more than five times their 1980 level, $74.4 billion, compared to $414.7 billion at the end of 1990. Short-term municipal bond fund assets soared from $1.9 billion in 1980 to 44 times that amount—$83.6 billion by yearend 1990. Equity fund assets grew from $41.0 billion in 1980 to $245.8 billion at the end of 1990, and bond and income fund assets increased from $17.4 billion in 1980 to $325.0 billion at the end of 1990. Combined assets of all funds at the end of 1980 were $134.8 billion. On December 31, 1990 they stood at $1.07 trillion.

Number of Funds Increases Dramatically

As the economic environment changed during the past two decades, the mutual fund industry responded by introducing new products and services to meet a number of investment objectives and investor goals. In the

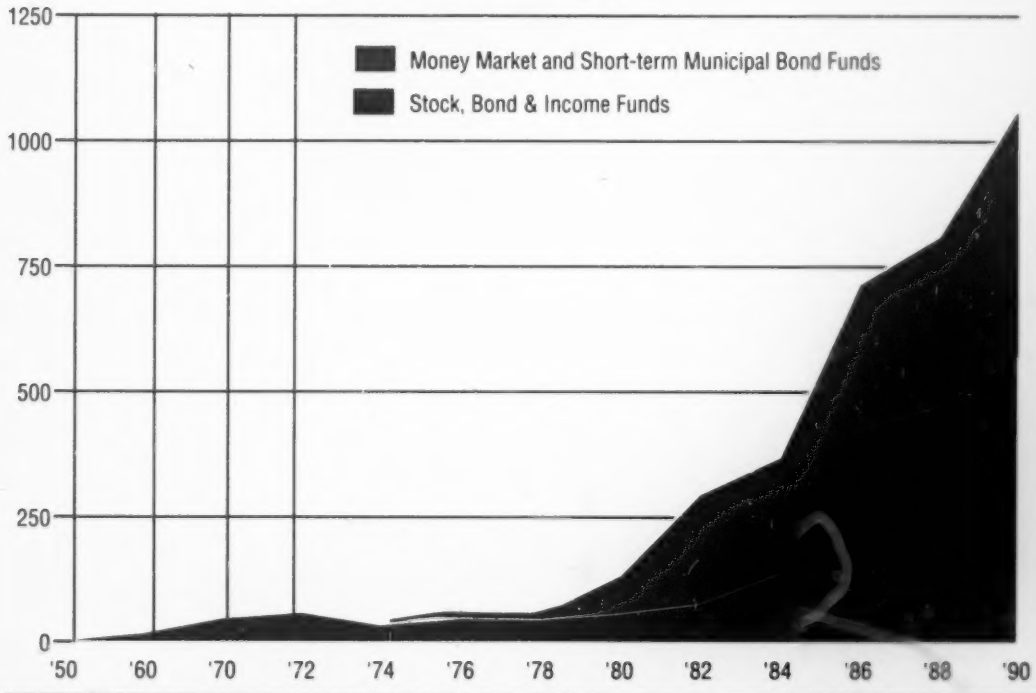
Mutual Fund Shareholder Accounts

(millions)



Assets of Mutual Funds

(billions of dollars)



Sales, Redemptions, and Assets

(billions of dollars)

Equity, Bond, and Income Funds

Year	Sales	Redemptions	Net Sales	Assets
1972	$4.9	$6.6	$(1.7)	$59.8
1973	4.4	5.7	(1.3)	46.5
1974	3.1	3.4	(0.3)	34.1
1975	3.3	3.7	(0.4)	42.2
1976	4.4	6.8	(2.4)	47.6
1977	6.4	6.0	0.4	45.0
1978	6.7	7.2	(0.5)	45.0
1979	6.8	8.0	(1.2)	49.0
1980	10.0	8.2	1.8	58.4
1981	9.7	7.5	2.2	55.2
1982	15.7	7.6	8.1	76.8
1983	40.3	14.7	25.6	113.6
1984	45.9	20.0	25.9	137.1
1985	114.3	33.8	80.5	251.7
1986	215.8	67.0	148.8	424.2
1987	190.6	116.2	74.4	453.8
1988	95.3	92.5	2.8	472.3
1989	125.7	91.7	34.0	553.9
1990	149.5	98.2	51.3	570.8

Money Market Mutual Funds

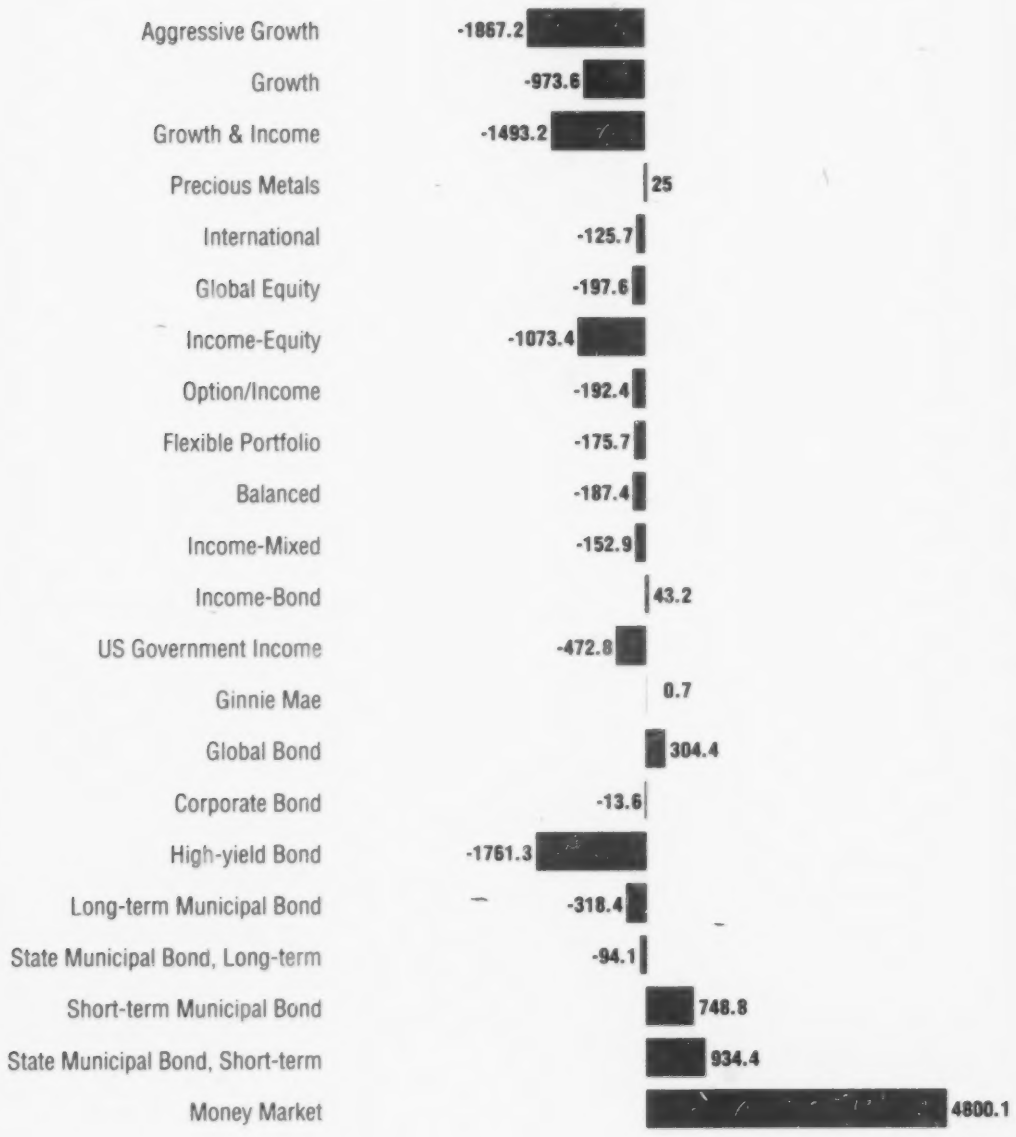
Year	Sales	Redemptions	Net Sales	Assets
1976	$9.4	$9.6	$(0.2)	$3.7
1977	10.7	10.7	0.0	3.9
1978	30.5	24.3	6.2	10.9
1979	111.9	78.4	33.5	45.2
1980	232.2	204.1	28.1	74.4
1981	451.9	346.7	105.2	181.9
1982	581.8	559.6	22.2	206.6
1983	463.0	508.7	(45.7)	162.5
1984	572.0	531.1	40.9	209.7
1985	730.1	732.3	(2.2)	207.5
1986	792.3	776.3	16.0	228.3
1987	869.1	865.7	3.4	254.7
1988	903.4	899.4	4.0	272.3
1989	1,134.6	1,055.1	79.5	358.7
1990	1,218.9	1,183.1	35.8	414.7

Short-term Municipal Bond Funds

Year	Sales	Redemptions	Net Sales	Assets
1980	$5.3	$3.8	$1.5	$1.9
1981	10.5	8.3	2.2	4.2
1982	29.4	22.2	7.2	13.2
1983	44.5	42.4	2.1	16.8
1984	62.3	55.9	6.4	23.8
1985	109.4	98.8	10.6	36.3
1986	197.5	172.3	25.2	63.8
1987	191.9	196.9	(5.0)	61.4
1988	178.3	175.0	3.3	65.7
1989	184.8	180.5	4.3	69.4
1990	196.8	189.6	7.2	83.6

Net Exchanges by Investment Objective — 1990

(millions of dollars)



1950s and 1960s, the industry's historic concentration in equity funds was reflected in steep increases in sales and assets of these funds. This growth occurred in a period when stock prices were climbing steadily with only slight interruptions.

However, from 1968 to 1974, a weak stock market, rising interest rates, inflation, and other economic and financial uncertainties heightened investor's concerns about risks associated with equities and dimmed their perception of potential returns from these funds. Consequently, investors stepped away from stocks and equity mutual funds and moved toward the relative safety of short-term liquid assets.

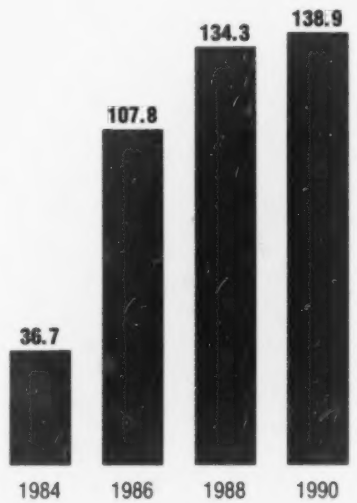
Money market mutual funds, developed in 1972, and their tax-exempt counterparts introduced in 1979, also known as short-term municipal bond funds, enabled more individual and institutional investors to enter the financial market. In addition to municipal bond funds, new versions of standard stock and bond funds, such as international funds, precious metals funds, and, more recently, Ginnie Mae, and government income funds were created. Since 1970, more than 2,700 funds were introduced, 2,544 of which were added between 1980 and 1990. The total number of funds at the end of 1990 was 3,108.

The enormous growth and diversity of funds led to the development of 13 new fund categories or investment objectives. Currently, the Institute classifies industry funds in 22 different investment objectives. Prior to 1987, it classified funds in only 16 categories. By broadening its product line and encouraging use of the exchange feature within a family of funds, the industry transformed itself into a diversified financial business capable of providing a variety of benefits to both individual and institutional investors under all kinds of economic conditions.

Sales of Mutual Funds Continue to Be High

Mutual fund sales continue to demonstrate investor confidence in the popular, diversified industry. 1990 saw money market funds reaching their highest annual sales ever—more than five times the amount sold in 1980—and short-term municipal bond fund sales at 37 times their 1980 level. Equity, bond, and income funds achieved their third highest sales level ever—$149.5 billion (see the table "Sales, Redemptions, and Assets" on page 20) in 1990. Despite the slowing economy and the effect of the slowdown on stock and bond prices, mutual fund sales in 1990 were strong.

Sales Exchanges
All Types of Mutual Funds
(billions of dollars)



Investors continue to show an awareness of the exchange privilege, which allows mutual fund shareholders to exchange shares from one fund to another within a group of funds under common management. This awareness, along with volatile financial markets, has encouraged investors to be flexible in the handling of their personal portfolios, producing a significant increase in exchange activity.

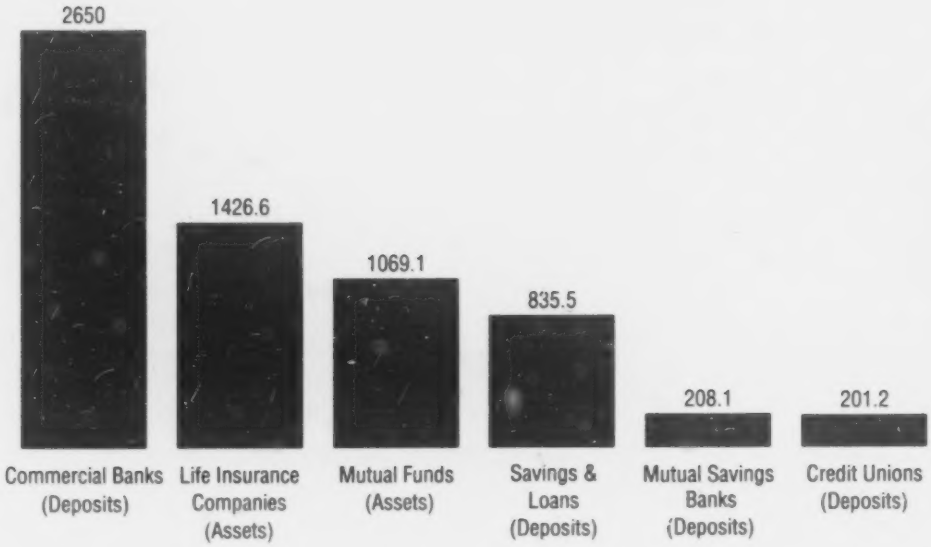
In 1990, for example, exchanges into all types of mutual funds totaled $138.9 billion, more than 13 times the level in 1980. During the next few years exchanges became more popular, but as the chart on page 22 illustrates, total exchanges in 1984 were still only $36.7 billion. Since that date, exchanges have increased at a phenomenal rate. During the market break in October 1987, investors used the exchange feature to move assets out of equity funds and into money market funds primarily. Eight out of every ten dollars of total redemptions on October 19 were through exchanges, indicating a preference by investors to maintain their assets in a family of funds instead of moving their money into another investment vehicle.

In general, exchange activity over the decade has occurred between long-term equity and bond funds and short-term money market funds as investors adjust their assets to correspond to their changing needs and to reflect their view of current market conditions.

In a relatively short period of time, mutual funds have become the nation's third largest type of financial institution. Only commercial banks and life insurance companies are larger in terms of assets.

Total Deposits and Assets of the Largest Financial Intermediaries

(billions of dollars)



Sources: Federal Deposit Insurance Corporation, American Council of Life Insurance Companies, National Council of Savings Institutions, and the Credit Union National Association.

V. Services to Meet Investor Needs

One of the hallmarks of the mutual fund industry is its responsiveness in a rapidly changing economic environment. By keeping attuned to investor needs, the mutual fund industry has been able to adapt and expand its product line and services to suit just about any investor's goals.

As a result, the investor's choice of funds and investment objectives has grown dramatically. In 1975, mutual funds fit neatly into seven main categories. By the end of 1985, the seven fund categories had grown to 16, with many funds further defining their investment objectives according to industry sectors, geographic limitations, or business philosophies. The number of individual funds available almost quadrupled in that period. Continuing innovation in the variety of mutual fund portfolios being offered to the public further increased the investment objective categories in 1987 to 22.

Such a diverse menu has encouraged many investors to sample the products the mutual fund industry has to offer.

Every fund establishes a minimum amount necessary for opening an account, plus minimum increments for adding to it. Some funds have very low minimums or even none at all; still others have minimums of $2,500 and up (some institutional funds may have minimums of $1 million or more). The great majority fall between $250 and $1,000.

Funds try to make investing as easy as possible. Most have payroll deduction plans to take the effort out of making regular contributions, and some funds, upon proper authorization, will regularly deduct a specified amount from the shareholder's bank account.

Mutual funds also offer automatic reinvestment programs in which shareholders can elect to have dividends and capital gain distributions poured back into the fund by automatically buying new shares to expand their holdings.

A similar feature covers automatic withdrawal. Arrangements can be made with the fund to send checks at regular intervals from the fund's earnings or principal to the shareholder or anyone else designated by the shareholder.

Even if a shareholder is not participating in a regular withdrawal plan, the fund makes it easy to withdraw money. By law, the fund must be willing to redeem any or all shares on each business day. All a shareholder needs to do is give proper notification and the fund will send a check. Even easier is writing checks from a money market mutual fund account or some bond funds. Although most funds have minimum check amounts of $500, this still proves to be a convenient way of redeeming shares immediately.

If shareholders do not want to withdraw their money but, instead, want to move their assets into a

Number of Mutual Funds Classified by Investment Objective

different fund, they can take advantage of a fund's exchange privilege. Many management companies offer more than one fund (known as a "family of funds") to their shareholders. In this way, investors can choose from funds with a variety of investment objectives, each appropriate for different investor needs and economic conditions. An exchange privilege allows the shareholder to contact the fund or a fund representative at any time to exchange shares from one fund within the family to another. Usually funds let investors use the exchange privilege several times a year for a low or no fee per exchange.

Some funds may also let investors move their assets within a family of funds via telephone. With the proper notification, and a minimum of $250 or more (the minimum may vary from fund to fund), an investor can execute a telephone exchange in a matter of minutes.

Whenever a shareholder exchanges shares, writes a check from a money market fund, or makes an investment, a statement will be sent to confirm each transaction. Mutual funds have long been noted for their convenient recordkeeping. In addition to confirmation statements, the fund sends account updates on a monthly, quarterly, or annual basis, depending on the fund.

Besides these statements and account updates, funds may also send a newsletter to shareholders. Newsletters are a valuable resource. They usually contain articles that 1) help shareholders understand economic trends and their impact on mutual funds; 2) explain taxes on funds; 3) evaluate fund performance; 4) answer questions on specific aspects of funds; and 5) offer financial planning tips.

Finally, funds send periodic reports both to the SEC and to shareholders. Complete information is supplied to shareholders at least twice a year, and for most companies, four times a year. These reports list the names and amount of securities the fund holds, major investment changes since the last report, plus financial statements and related information.

Another service many funds offer is helping shareholders plan for retirement. Using funds in salary reduction plans or investing in mutual fund IRAs are just two of the ways shareholders can incorporate mutual funds into their overall retirement strategy. (See chapter XIV, "The Retirement Market" for more details on this topic.)

By taking advantage of new technology, the mutual fund industry has made prompt and professional service a priority. Many funds have fax machines that allow shareholders to transmit important documents quickly and easily. Some funds also make information available to their shareholders through personal computers.

Voice-response systems—which let shareholders access information about their funds or even perform simple transactions over the telephone—have expedited service delivery. Shareholders may check their account balances, current yield figures in money market funds, and discover a variety of other important fund information over the telephone, often 24 hours a day.

The mutual fund industry tries to stay in tune with the needs of its current *and* future shareholders. Healthy competition ensures that the industry will continue to develop new products and services to respond to the needs of mutual fund shareholders better than ever.

VI. Professional Management

Professional money management is one of the key features that makes mutual funds so attractive to investors. It is even more important today when many individuals have neither the time nor the resources to study the securities markets, evaluate economic trends, and develop a portfolio that meets their financial needs.

Even individuals who *want* to make their own investment decisions may sometimes feel squeezed out of the market by a phenomenon referred to as "the institutionalization of the market." Institutions are playing a much larger role in the securities markets through their big-volume trades executed by large "buy" and "sell" programs that can suddenly affect prices of securities. Takeover activity—and rumored activity—can also cause rapid fluctuations in securities prices. The average investor is finding it tougher and tougher to determine how market activity and fundamental economic changes affect individual securities and industries.

To invest more effectively today, millions of Americans have, in effect, hired professional money managers through mutual fund investing. No matter how modest their holdings, individual investors have joined the institutional investors by choosing mutual funds.

What Do the Money Managers Do?

Fund managers perform extensive economic and financial research. Their aim: to develop data so intelligent decisions can be made about securities in the fund's portfolio.

To make these decisions, investment analysts research basic economic trends—market conditions, interest rates, inflation—and then evaluate how individual companies and other security-issuing organizations will be affected. Managers read widely...not only general business publications, but also trade publications, research reports, and surveys. Their job means keeping up with the steady stream of financial information that companies release and file with

Money Market Fund Asset Composition Yearend 1990
(billions of dollars)

U.S. Treasury Bills	$25.5
Other Treasury Securities	20.0
Other U.S. Securities	36.9
Repurchase Agreements	59.0
Commercial Bank CDs	15.9
Other Domestic CDs	5.0
Eurodollar CDs	27.1
Commercial Paper	200.2
Bankers' Acceptances	6.4
Cash Reserves	11.4
Other	7.3
Total Net Assets	**$414.7**
Average Maturity (days)	41
Number of Funds	508

various government agencies. They study balance sheets and other financial statements, companies' business systems and marketing philosophies, and talk to a cross-section of business executives. They may make field trips to inspect a company's plants. Often they specialize. One analyst may study utilities while a colleague concentrates on the computer industry. A third may study stock markets overseas while another follows bonds or other debt issues.

Those responsible for managing the fund make buy and sell decisions for their portfolio, based on this research and the fund's investment objective, which is discussed in the fund's prospectus. Typically, portfolio managers will invest the pool of shareholders' dollars in anywhere from 50 to more than 100 different securities to diversify the fund's holdings.

Diversification

Diversification is a basic investment principle of all mutual funds. It means that the professional managers of mutual funds combine the money of shareholders and invest in many types of securities. It is a proven method of reducing the risk inherent in all investing.

Diversification may take different forms:

• **Diversification among a variety of securities issuers**—A number of federal and state regulations require this type of diversification. The Investment Company Act of 1940 sets minimum diversification standards for a mutual fund to qualify as a diversified company; the Internal Revenue Code mandates a certain measure of diversification for a fund to qualify as a regulated investment company; and various states impose diversification requirements for a fund to be able to offer its shares in the state. Recently, the Securities and Exchange Commission imposed tougher diversification requirements on taxable money market mutual funds to prevent those funds from investing more than 5 percent of their assets in any one securities issuer.

• **Diversification among types of securities**—Balanced funds are one example of this form of diversification. These funds invest in common stocks, preferred stocks, and corporate bonds.

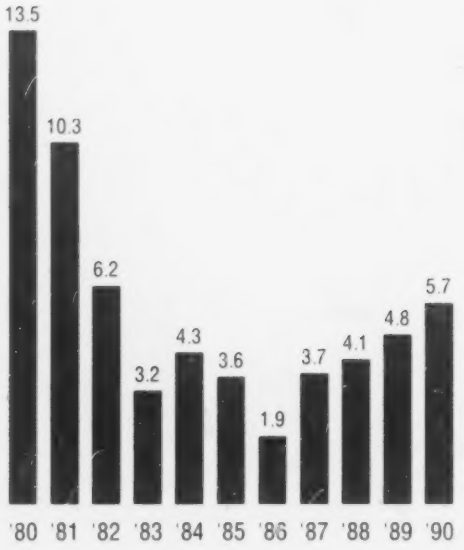
• **Diversification among a variety of industries**—Stock funds diversify their portfolios by including securities issued by companies in many different industries. Corporate bond portfolios also include issues of different types of businesses, while those of municipal bond funds include holdings of a wide range of state and local governments.

• **The exceptions**—Not all funds are diversified across company, industry, and geographic lines. Specialty funds or sector funds focus on a specific industry, market segment, geographic region, or on certain social criteria. Examples include funds investing in high technology stocks, the health care industry, sunbelt companies, or companies whose products are environmentally safe. But even in specialty funds, money managers still diversify within those specific areas.

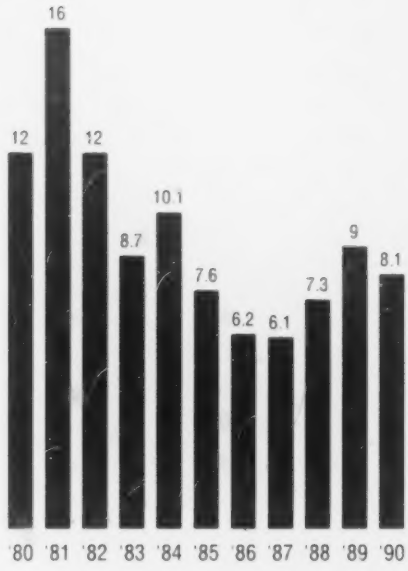
Portfolio Composition of Equity, Bond, and Income Funds Yearend 1990
(billions of dollars)

Common Stock	$217.2
Preferred Stock	3.2
Municipal Bonds (long-term)	119.5
Corporate Bonds	44.4
U.S. Gov't Sec. (long-term)	129.0
U.S. Gov't Sec. (short-term)	13.3
Liquid Assets	35.3
Other	8.9
Total Net Assets	**$570.8**

Consumer Price Index
1980 - 1990
(percentages)



Money Market Mutual Funds
Average Annual Yield
(percentages)



Security Selection

The huge net sales volume of equity funds during the bull market years of the mid-eighties was a major source of liquidity in the securities market, and helped to stimulate the financing of many new equity issues. Today, mutual fund managers must choose from thousands of different domestic securities issues with an estimated value of $3.2 trillion available on the organized exchanges and the over-the-counter markets in the U.S., plus thousands more in foreign issues traded on overseas exchanges. Mutual funds held $220.4 billion of those stocks in their portfolios in 1990—representing thousands of different securities issues.

Funds purchase substantial amounts of corporate bonds and municipal securities, thereby helping finance corporate America as well as state and local governments. Mutual funds held $44.4 billion in corporate bonds and $119.5 billion in long-term municipal securities at the end of 1990.

In recent years, the mutual fund industry has also become an important market for government-backed mortgage securities (Ginnie Maes), Treasury bonds, and other government securities. Mutual funds currently hold about $142.3 billion worth of these securities in their portfolios.

Mutual funds, in short, do the job of an efficient financial intermediary. They gather up the public's savings and channel them into productive uses.

The tables at the end of this chapter represent the dollar value and market percentage for industries of special

interest to equity fund managers in 1990. As might be expected, the ranking of various industries and the size of their share in fund portfolios change constantly. These variations reflect portfolio managers' evolving views of the attractiveness of securities from firms in different industry groups.

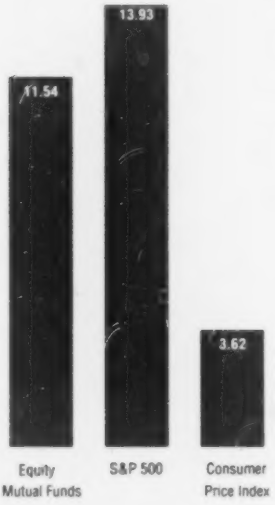
Investment Income

A mutual fund can supplement shareholder income through dividends and interest earned on the securities in its portfolio. It can also pay shareholders capital gain distributions if a security in its portfolio is sold at a profit. Shareholders can choose to reinvest the dividends and capital gains in additional shares of the fund, or they may decide to have the income earned passed on to them directly, for example, by check or wire transfer.

A large percentage of investment income is reinvested. In 1990, of the $63 billion in investment income, $47.5 billion, or 75.4 percent, were

Mutual Fund Investment Performance

Ten Years Through 12/31/90
(percentages)



Note: *Mutual fund performance reflects a monthly weighted average for all equity funds.*

Mutual Fund and S&P 500 data are prepared by Lipper Analytical Services. These indexes are not adjusted for sales charges.

Dividends and Reinvestment All Types of Mutual Funds

(billions of dollars)

Year	Investment Income Dividends	Reinvested Dividends	Percentage Reinvested
1977	$1.9	$1.3	65.8%
1978	2.5	1.8	71.3
1979	5.2	3.7	72.2
1980	10.4	8.5	81.3
1981	21.7	19.7	91.7
1982	25.8	22.9	88.8
1983	18.8	15.7	83.5
1984	23.7	18.4	77.6
1985	28.9	20.4	70.6
1986	35.8	25.5	71.2
1987	47.4	30.9	65.2
1988	52.6	33.2	63.1
1989	62.7	43.6	69.5
1990	63.0	47.5	75.4

Capital Gains and Dividends Distributions to Shareholders All Types of Mutual Funds

(billions of dollars)

Year	Net Realized Capital Gains	Net Investment Income		
		Equity, Bond, and Income Funds	Money Market Funds	Short-term Municipal Bond Funds
1977	$0.6	$1.8	$0.1	N/A
1978	0.7	2.1	0.4	N/A
1979	0.9	2.5	2.7	N/A
1980	1.7	2.7	7.7	$0.1
1981	2.7	3.1	18.5	0.1
1982	2.4	3.8	21.7	0.3
1983	4.4	5.0	13.2	0.6
1984	6.1	7.3	15.4	1.0
1985	5.0	12.9	14.4	1.6
1986	17.9	22.3	11.1	2.4
1987	23.0	31.8	12.8	2.8
1988	6.3R	32.0R	17.3	3.5
1989	14.8R	34.1	24.7	3.9
1990	8.1	32.9	26.3	3.8

R=Revised

reinvested dividends. At yearend 1989, mutual funds had earned $62.7 billion in investment income, of which $43.6 billion, or 69.5 percent, constituted reinvested dividends.

Equity, bond, and income funds generated $32.9 billion of investment income in 1990. When compared to other investments, long-term funds can provide investors with competitive returns, and over a ten-year period, the average return is substantially higher than the Consumer Price Index.

Money market funds distributed $26.3 billion to shareholders in 1990, compared to $24.7 billion in 1989. Short-term municipal bond funds paid out $3.8 billion in 1990, compared to $3.9 billion in 1989.

Diversification of Mutual Fund Portfolios
Common Stock Holdings by Industry

(millions of dollars)

	1989	1990
Agricultural Equipment	$266.2	$742.5
Aircraft Manufacturing & Aerospace	551.8	1,377.3
Air Transport	1,643.2	1,119.5
Auto & Accessories (Excl. Tires)	3,169.1	2,555.0
Building Materials & Equipment	664.0	749.8
Chemicals	3,632.5	4,345.9
Communications (TV, Radio, Motion Pictures, Telephone)	9,308.1	8,013.3
Computer Services*	1,407.4	2,623.9
Conglomerates	2,953.3	3,986.4
Containers	83.1	98.4
Drugs & Cosmetics	4,156.1	5,607.1
Electric Equipment & Electronics (Excl. TV & Radio)	6,206.4	5,432.0
Financial (Incl. Banks & Insurance)	18,807.3	15,501.2
Foods & Beverages	3,016.9	3,167.4
Hospital Supplies & Services	1,238.9	2,122.3
Leisure Time	1,616.8	1,632.2
Machinery	2,576.9	1,859.4
Metals & Mining	3,409.8	2,901.2
Office Equipment	2,582.3	2,423.8
Oil	6,298.4	8,085.3
Paper	2,423.2	1,730.1
Printing & Publishing	1,437.3	1,400.3
Public Utilities (Incl. Natural Gas)	6,053.8	4,704.1
Railroads & Railroad Equipment	758.3	1,074.5
Retail Trade	4,690.4	4,449.9
Rubber (Incl. Tires)	241.6	264.6
Steel	575.6	653.2
Textiles	201.8	686.0
Tobacco	615.1	265.8
Trucking & Shipping	666.7	679.6
Miscellaneous	2,404.6	2,288.2
Total	**$93,656.9**	**$92,540.2**

Note: *Composite industry investments drawn from the portfolios of 60 of the largest investment companies as of the end of the calendar year 1990 whose total net assets represented 44.4 percent of total net assets of all reporting equity companies.*

**Includes computer software, consultants, and time sharing.*

Diversification of Mutual Fund Portfolios
Percent of Common Stock Holdings by Industry

(percentages)

	1989	1990
Agricultural Equipment	0.28%	0.80%
Aircraft Manufacturing & Aerospace	0.59	1.49
Air Transport	1.75	1.21
Auto & Accessories (Excl. Tires)	3.38	2.76
Building Materials & Equipment	0.71	0.81
Chemicals	3.88	4.70
Communications (TV, Radio, Motion Pictures, Telephone)	9.94	8.66
Computer Services*	1.50	2.84
Conglomerates	3.15	4.31
Containers	0.09	0.11
Drugs & Cosmetics	4.44	6.06
Electric Equipment & Electronics (Excl. TV & Radio)	6.63	5.87
Financial (Incl. Banks & Insurance)	20.08	16.74
Foods & Beverages	3.22	3.42
Hospital Supplies & Services	1.32	2.29
Leisure Time	1.73	1.76
Machinery	2.75	2.01
Metals & Mining	3.64	3.14
Office Equipment	2.76	2.62
Oil	6.73	8.74
Paper	2.59	1.87
Printing & Publishing	1.53	1.51
Public Utilities (Incl. Natural Gas)	6.46	5.08
Railroads & Railroad Equipment	0.81	1.16
Retail Trade	5.01	4.81
Rubber (Incl. Tires)	0.26	0.29
Steel	0.61	0.71
Textiles	0.22	0.74
Tobacco	0.66	0.29
Trucking & Shipping	0.71	0.73
Miscellaneous	2.57	2.47
Total	**100.00%**	**100.00%**

Note: *Composite industry investments drawn from the portfolios of 60 of the largest investment companies as of the end of the calendar year 1990 whose total net assets represented 44.4 percent of total net assets of all reporting equity companies.*

**Includes computer software, consultants, and time sharing.*

VII. How Mutual Fund Shares Are Acquired by Investors

Many kinds of firms provide a wide range of products and services in today's securities industry. Some offer investment advice, financial planning, insurance, and commodity products, in addition to such traditional services as executing orders to buy and sell securities and underwriting new stock and bond issues. Some firms offer a few of these products and services, while others only execute trades for investors who have made their own investment decisions.

Considering the securities industry's complexity, it is not surprising that mutual fund distribution patterns have become equally diverse. Some funds offer their shares directly to investors, through the mail, by telephone, or at their own retail offices, while others sell through securities firms, financial planners, life insurance organizations, deposit institutions, or even through membership organizations. Funds may also be offered through employee benefit plans.

Basically, however, mutual fund distribution can be broken down into two major channels: shares purchased directly from a fund, and shares purchased from a member of a sales force. These two distribution channels are frequently referred to as "direct marketing," and "sales force" respectively.

Most mutual funds are affiliated with an underwriter that distributes their shares nationally. The underwriter has exclusive distribution rights and may use several different avenues for share distribution.

The Broker/Dealer: Most often, the underwriter distributes fund shares through securities firms and their brokers. These brokers deal directly with the public—the potential purchasers of mutual fund shares.

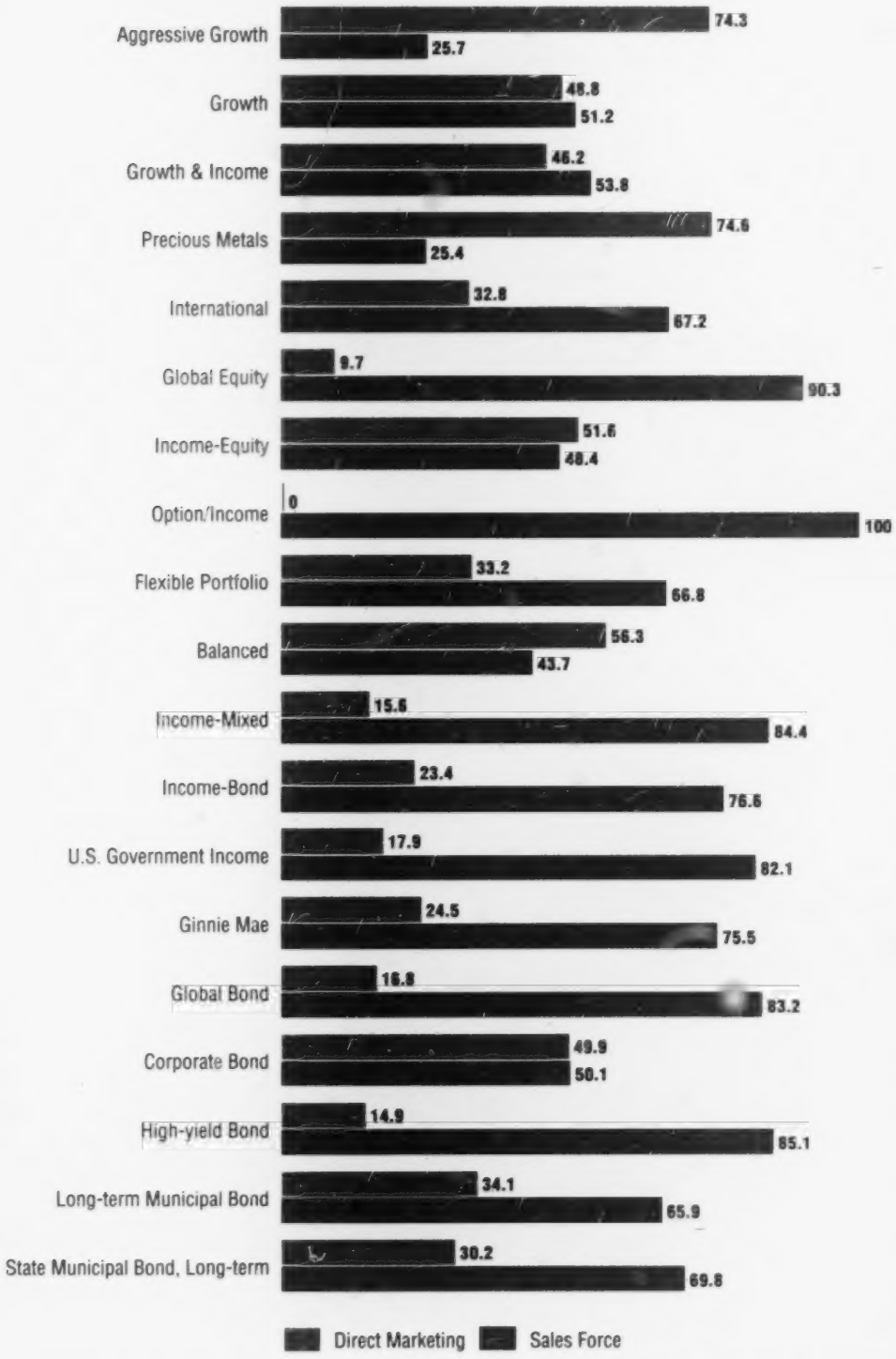
In addition to traditional broker/dealer firms, an increasing number of financial planners are recommending mutual funds to their clients. More and more, financial planners suggest mutual funds as building blocks in a master financial plan, which might also include life insurance and individual securities.

Within the broker/dealer distribution system, underwriters, in effect, act as wholesalers. Underwriters do not sell shares to the public directly. Instead, they establish sales agreements with securities firms which, in turn, sell the fund's shares to individual investors through the firms' branch offices. To assist local firms and branches, a mutual fund underwriter usually divides the country into regions and assigns its own staff members to represent the underwriter in each area.

Retail securities firms distributing mutual fund shares are usually members of the National Association of Securities Dealers, Inc. (NASD). This organization provides selfpolicing of its member firms in the distribution of mutual fund shares.

Sales of Sales Force & Direct Marketing Funds by Investment Objective - 1990

(percentages)



Captive (or Dedicated) Sales Force: In some cases, an underwriter employs its own sales force. Its employees primarily sell shares of the funds the underwriter represents plus other securities issued by the underwriter and its affiliates. Sometimes, a captive sales force is the sales arm of an insurance company which might own a mutual fund management company.

Fund to Investor: In this method of distribution, investors purchase mutual fund shares directly from the fund—usually by mail, telephone, bank wire, or sometimes at offices maintained by fund organizations. As a technical matter, however, these direct marketing funds usually have an underwriter—a distribution arm of the fund organization—through which all share transactions pass.

The funds attract investors through advertising, direct mail, and other means. Potential investors do their own research and take the initiative to determine if specific funds meet their needs. Investors contact the fund organization directly to obtain a prospectus or buy shares. The shares of these funds are generally sold to the public with a low sales charge or none at all.

Fee Information

Fund shares sold through brokers, commission-based financial planners, or dedicated sales forces may have a sales charge included in their offering price. Depending on the type of fund, this initial, or "front-end" sales charge (usually referred to as a "load") may range up to 8.5 percent. Usually, the basic charge will vary, depending on the size of the purchase. Some funds may also charge a fee on reinvested dividends.

In addition, some funds assign a small percentage of fund assets to offset distribution expenses. This annual charge is known as a 12b-1 fee, named after a Securities and Exchange Commission rule, and usually is 1 ¼ percent or less of the fund's assets. Some funds that are sold through brokers or other sales professionals adopt the 12b-1 fee structure to compensate the seller of fund shares at the time of sale, though the investor (through increased fund expenses) may pay the commission over several years, rather than paying a front-end load (commission). Other funds may use the fee to pay for such distribution expenses as advertising.

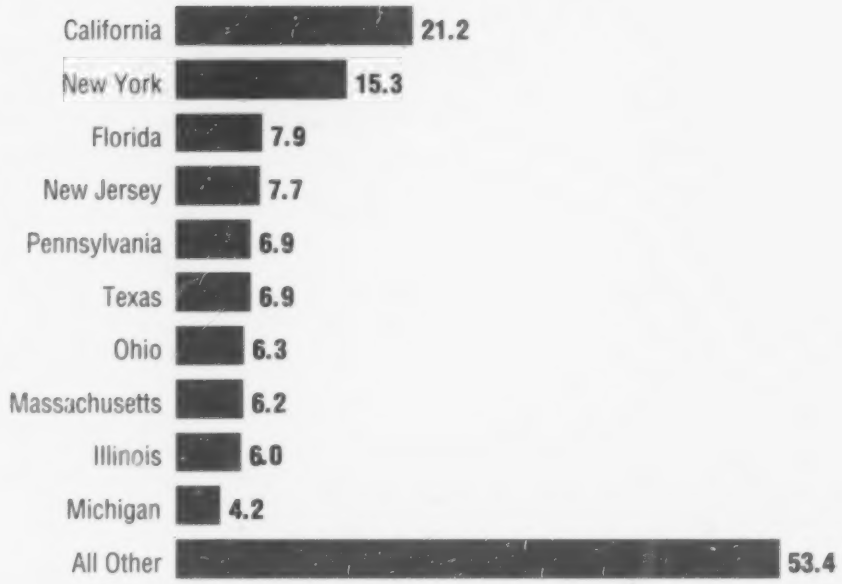
In some cases, there is no up-front sales charge or load, but there may be a charge if shares are redeemed during the first few years of ownership. This is known as a contingent deferred sales charge (CDSC) and may be expressed as a percentage of either the original purchase price or the redemption proceeds. Most CDSCs decline over time, and some will not be charged if shares are redeemed after a certain period of time (typically one to six years).

The CDSC is one kind of "back-end" load, i.e., a charge imposed when money is withdrawn from an account; a redemption fee is another. This fee may be charged whenever shares are redeemed, and it may be either a dollar amount or a percentage of the redemption price. Information on all fees is included in the fund's prospectus.

Mutual funds are required to redeem outstanding shares at their current net asset value, which is usually calculated each afternoon after the close of U.S. security markets. (See page 10 for a discussion of the net asset value.) This is the case regardless of distribution method or commission structure. By law, mutual funds must stand ready on any day the fund is open for business to redeem any or all shares. It must send shareholders

Equity, Bond, and Income Fund Sales by Selected States - 1990*

(billions of dollars)



*Figures do not include sales of variable annuities or reinvested dividends from exchange funds.

the redemption check within seven business days.

Sales by Method of Distribution

Of all stock, bond, and income fund sales made in the mutual fund industry in 1990, $90.2 billion or 60 percent were made by those funds distributed through a sales force. Those funds distributed directly to investors had sales of $51.8 billion or 35 percent of the total. (Other sales result from reinvested dividends in funds no longer offering shares and from variable annuities.)

Among equity funds, the two major methods of distribution—through a sales force or direct marketing—recorded sales of $34.3 billion and $31.6 billion, respectively. The sales force distribution channels attained their highest percentage of overall sales through $55.9 billion in bond and income fund sales. Direct marketing sales were $20.2 billion in the bond and income funds.

Where the Most Funds Are Purchased

Assets and sales of mutual funds are heaviest in geographic regions with large numbers of people in moderate- to upper-income groups. Seen in the chart above, California and New York had the two largest state shares of total sales of equity, bond, and income funds. Sales in California totaled $21.2 billion in 1990, 15 percent of all sales of those funds. New York fund sales totaled $15.3 billion, 10 percent of total sales. The ten states with the largest share of stock, bond, and income fund sales, moreover, accounted for over 60 percent of the total.

VIII. Regulation and Taxation

Mutual fund organizations are perhaps the most strictly regulated business entities under the federal securities laws. A former chairman of the Securities and Exchange Commission (SEC) said, "No issuer of securities is subject to more detailed regulation than mutual funds."

The laws governing mutual funds require exhaustive disclosure to the SEC, state regulators, and fund shareholders and entail continuous regulation of fund operations. Appropriately, however, these laws do not include second-guessing of the investment judgment of each fund's management (provided the fund is invested according to the objectives and any restrictions set forth in its prospectus and according to federal and state law).

Regulation of Funds

Four major federal statutes regulate mutual funds.

The **Securities Act of 1933** requires filing with the SEC a registration statement containing extensive information about the fund. In addition, the 1933 act requires the fund to provide potential investors with a current prospectus. The prospectus contains detailed disclosures about the fund's management, its investment policies, objectives, and other essential data. The 1933 act also limits the type and content of advertisements that may be used by a mutual fund.

The purchase and sale of mutual fund shares, as with all securities, are subject to the antifraud provisions of the **Securities Exchange Act of 1934**. Distributors of mutual fund shares are subject to regulation by the SEC and the National Association of Securities Dealers (NASD) pursuant to the 1934 act. NASD is a self-regulatory organization for securities brokerage firms with authority over mutual fund share distribution.

The **Investment Advisers Act of 1940** regulates the activities of investment advisers to mutual funds.

Most important, mutual funds must register with the SEC under the **Investment Company Act of 1940**, which is a highly detailed regulatory statute. The 1940 act contains numerous provisions designed to prevent self-dealing and other conflicts of interest, maintain the integrity of fund assets, and prevent the fund and its shareholders from paying excessive fees and charges.

More recently, other federal laws were passed to regulate specific issues. The **Insider Trading and Securities Fraud Enforcement Act of 1988** requires investment advisers and broker/dealers to develop and enforce procedures to prevent insider trading. It also broadens the SEC's authority regarding insider trading violations. The **Market Reform Act of 1990** gives the SEC emergency authority to halt trading on a securities exchange and to restrict such practices as program

trading during periods of extreme market volatility. This legislation was enacted in response to the October 1987 market break.

In addition to these federal statutes, most states regulate mutual funds whose shares are offered in those states.

Federal and state laws provide for appropriate disclosure to investors when it comes to potential returns and risks associated with individual funds. These laws are designed to ensure that mutual funds are operated and managed in the interests of their shareholders.

Taxation of Shareholders

Mutual fund shareholders are taxed in many ways as if they were the direct owners of a proportionate interest in the fund's portfolio securities. This "flow-through" tax treatment is available, however, only to those funds that qualify as "regulated investment companies" under Subchapter M of the Internal Revenue Code.

To qualify under Subchapter M, a fund must meet several requirements, which include distributing 90 percent of its investment company taxable income each year and following various rules of asset diversification. It must also satisfy a requirement about the source of its income and comply with a restriction on certain short-term gains.

One aspect of the flow-through tax treatment relates to the character of the dividends received by shareholders. In general, ordinary income received by a fund is taxed to shareholders as ordinary income, long-term capital gains received by the fund are taxed to shareholders as long-term capital gains, and tax-exempt income received by the fund is exempt from tax at the shareholder level.

Furthermore, fund income is generally taxed only once, that is, when it is received by the shareholder. This "one-level" tax results from the deduction that funds receive for amounts distributed to shareholders. Thus to avoid a fund-level income tax, funds typically distribute all of their income and capital gains to shareholders. In addition, to avoid the imposition of an excise tax, a fund must generally distribute 98 percent of its income in the calendar year in which the income is earned.

IX. Recent Trends in Activity: Stock, Bond, and Income Funds

Although a slowing and then contracting economy could have impaired the mutual fund industry in 1990, long-term mutual funds were still able to achieve their third highest annual sales level ever. Investor confidence in equity, bond, and income funds was strong and resulted in total sales of long-term funds of $149.5 billion during 1990. This represented an increase of nearly 19 percent over 1989 total sales figures.

Share of Equity Funds Sales and Redemptions Annually

	Sales		Redemptions	
	1989R	1990	1989R	1990
Aggressive Growth	15.4%	13.2%	11.0%	14.1%
Growth	22.6	24.8	24.9	25.6
Growth & Income	40.0	36.0	47.6	39.7
Precious Metals	2.0	1.6	3.2	2.5
International	6.8	11.0	3.1	5.6
Global Equity	3.7	4.7	3.0	3.3
Income-Equity	9.0	8.4	5.5	7.6
Option/Income	0.5	0.3	1.7	1.6
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Share of Bond and Income Funds Sales and Redemptions Annually

	Sales		Redemptions	
	1989R	1990	1989R	1990
Flexible Portfolio	2.4%	1.8%	1.0%	1.8%
Balanced	7.9	3.9	2.3	3.2
Income-Mixed	7.5	7.3	5.3	5.7
Income-Bond	8.1	9.3	4.8	6.1
U.S. Government Income	16.9	15.4	30.4	30.0
Ginnie Mae	6.4	7.1	8.8	8.5
Global Bond	1.8	8.5	1.3	2.1
Corporate Bond	5.0	3.7	3.5	3.8
High-yield Bond	9.4	6.6	14.9	12.6
Long-term Municipal Bond	19.6	19.8	18.9	16.5
State Municipal Bond—Long-term	15.0	16.6	8.8	9.7
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

R=Revised

Mutual Fund Assets
Classified by Investment Objective—Yearend

(billions of dollars)

Investment Objective	1989	1990	Percent Change
Aggressive Growth	$37.2	$35.4	-4.8%
Growth	66.1	68.2	+3.2
Growth & Income	91.3R	86.9	-4.8
Precious Metals	4.1	3.1	-24.4
International	9.9	14.3	+44.4
Global Equity	13.7	13.5	-1.5
Income-Equity	22.9	22.3	-2.6
Option/Income	3.8	2.2	-42.1
Flexible Portfolio	4.1	6.7	+63.4
Balanced	13.5	12.8	-5.2
Income-Mixed	15.2	18.9	+24.3
Income-Bond	13.5R	15.9	+17.8
U.S. Government Income	81.4	75.6	-7.1
Ginnie Mae	28.2	29.0	+2.8
Global Bond	3.1	14.6	+371.0
Corporate Bond	11.7	12.3	+5.1
High-yie'd Bond	28.5	18.9	-33.7
Long-term Municipal Bond	64.5	70.7	+9.6
State Municipal Bond—Long-term	41.2	49.5	+20.1
***Total Long-term Funds**	**$553.9R**	**$570.8**	**+3.1%**

R=Revised

**See next chapter for total short-term fund (money market and short-term municipal bond funds) assets.*

Mutual Fund Sales
Classified by Investment Objective—Yearend

(millions of dollars)

Investment Objective	1989	1990	Percent Change
Aggressive Growth	$8,577.8	$9,372.3	+9.3%
Growth	12,432.6	17,631.3	+41.8
Growth & Income	21,942.1R	25,602.4	+16.7
Precious Metals	998.9	1,175.6	+17.7
International	2,456.7	7,865.2	+220.2
Global Equity	2,224.0	3,323.5	+49.4
Income-Equity	5,380.7	5,974.8	+11.0
Option/Income	448.8	251.3	-44.0
Flexible Portfolio	1,194.7	1,389.4	+16.3
Balanced	2,090.8	3,058.0	+46.3
Income-Mixed	7,251.3	5,709.0	-21.3
Income-Bond	4,457.4	7,288.0	+63.5
U.S. Government Income	11,797.1	12,067.9	+2.3
Ginnie Mae	3,771.0	5,560.9	+47.5
Global Bond	893.9	6,702.6	+649.8
Corporate Bond	3,179.4	2,916.7	-8.3
High-yield Bond	9,866.8	5,147.2	-47.8
Long-term Municipal Bond	15,470.0	15,507.2	+0.2
State Municipal Bond—Long-term	11,277.0	12,969.2	+15.0
***Total Long-term Funds**	**$125,711.0R**	**$149,512.5**	**+18.9%**

R=Revised

**See next chapter for total short-term funds (money market and short-term municipal bond funds) sales.*

Sales of equity funds alone reached $71.2 billion, the second highest level ever, an increase of about 30 percent over 1989's figure of $54.5 billion. The highest level of sales was achieved in 1987, with equity sales of $72.1 billion.

Bond and income fund sales for 1990 were up by 10 percent—from $71.2 billion in 1989 to $78.3 billion—the fourth highest level ever reached by these funds.

Most categories of equity funds experienced significantly higher sales in 1990. Sales of the leading stock fund category in 1990—growth and income funds—increased from $21.9 billion to $25.6 billion. Next highest sales were of growth funds, which jumped by nearly 42 percent, from $12.4 billion to $17.6 billion, followed by aggressive growth funds, which rose from $8.6 billion to $9.4 billion.

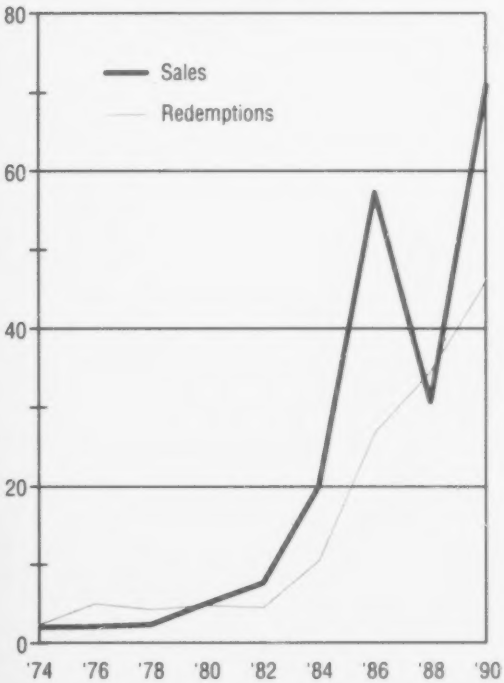
Sales of international funds had the highest percentage growth of all equity funds, even though they ranked fourth in dollar terms. Sales of these funds—$7.9 billion—grew by a staggering 220 percent, or more than three times the 1989 level of $2.4

Of all equity funds only option/income funds had lower sales in 1990 than they experienced in 1989. Their sales dropped by 44 percent, from $448.8 million to $251.3 million.

Since 1989, sales of equity funds have been fast approaching the sales levels of bond and income funds, reversing a trend that began in 1984 when sales of bond and income funds were 25 percent higher than sales of equity funds. In 1990, the difference between sales levels of the two types of funds narrowed further. Whereas in 1989, bond and income fund sales were 1.3 times the sales level of equity

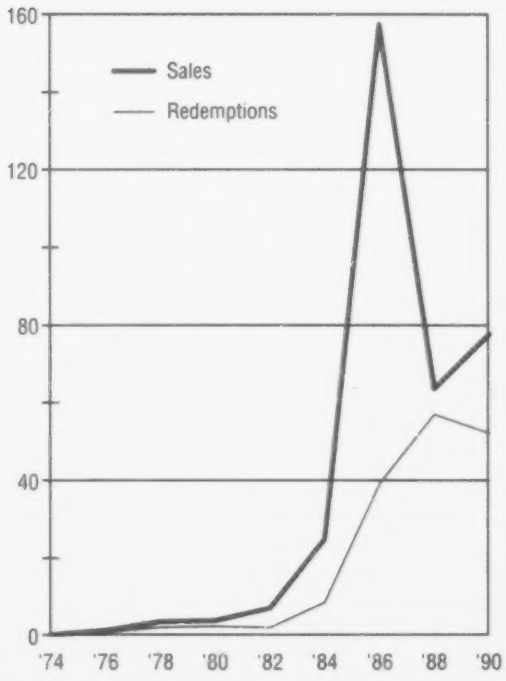
Sales and Redemptions
Equity Funds

(billions of dollars)



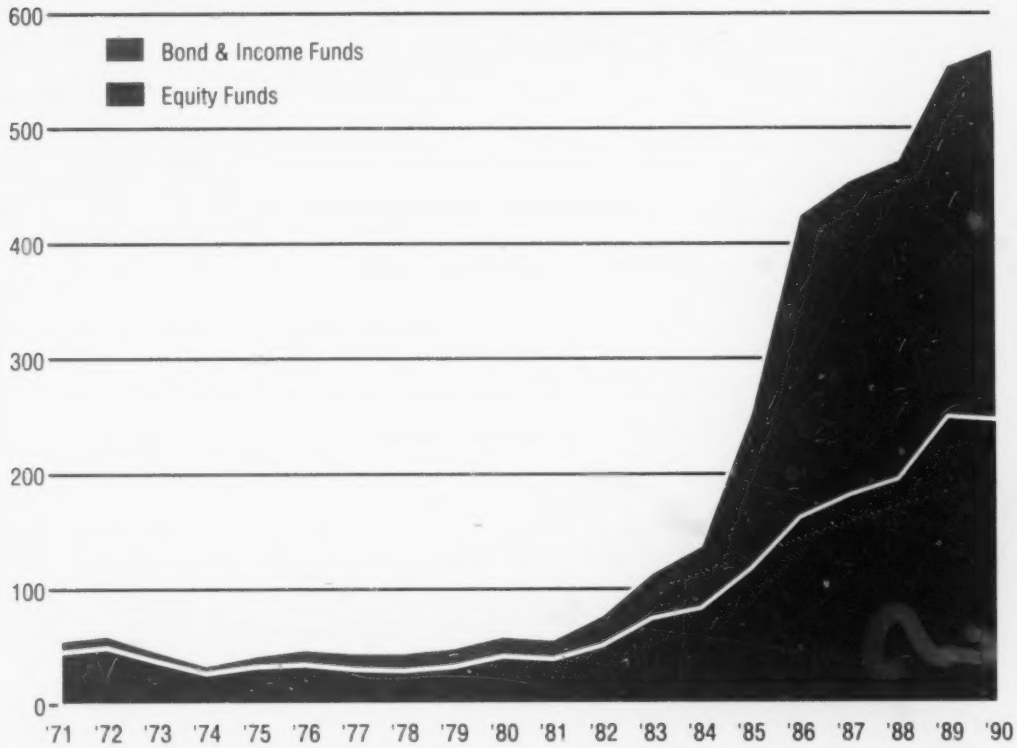
Sales and Redemptions
Bond & Income Funds

(billions of dollars)



Assets of Equity and Bond & Income Funds

(billions of dollars)



funds, in 1990, they were just 1.1 times larger.

Sales of bond and income funds increased in every category but corporate and high-yield bond funds. Long-term municipal bond funds had the highest sales in 1990 of $15.5 billion. Second in highest sales were long-term state municipal bond funds, with $13 billion, followed by U.S. government income funds with $12.1 billion.

Global bond funds experienced the most phenomenal leap in sales. Their 1990 sales of $6.7 billion were more than seven times their 1989 sales of $893.9 million. Income-Bond fund sales also reached new heights, growing by more than 63 percent from $4.5 billion in 1989 to $7.3 billion by yearend 1990.

Sales of high-yield bond funds suffered the heaviest loss of all bond and income funds, dropping nearly 48 percent from $9.9 billion in 1989 to $5.1 billion at 1990.

The growth in sales of long-term funds indicates that investors continue to choose mutual funds as vehicles for participating in the financial markets. Despite inherent uncertainty in the financial markets, investors are nevertheless willing to tolerate periodic bouts of substantial price volatility in exchange for the proven benefits of mutual funds. Although some investors preferred short-term funds during the year, the attractiveness of long-term funds was clear.

As the financial environment changes, investors feel confident about

moving their money out of other investment vehicles and into the many mutual fund products the industry has developed. New service features and various methods of distribution have encouraged investors to select mutual funds as an investment choice that meets their needs.

Asset figures illustrate the effectiveness of the industry's efforts. Total long-term fund assets increased in 1990 to $570.8 billion, up from $553.8 billion in 1989, and $472.3 billion in 1988.

At the end of 1990, total industry assets (long-term and short-term funds) had increased by more than $87 billion, from $982.0 billion at yearend 1989, to $1.07 trillion, at yearend 1990.

Shareholder accounts also testify to the industry's growth. In 1990, there were nearly 40 million accounts of equity, bond, and income funds—five times the number of accounts in 1980. Total industry accounts number 62.6 million, thus long-term funds represent 63 percent of all mutual fund shareholder accounts.

X. Recent Trends in Activity: Money Market and Short-term Municipal Bond Funds

Assets of short-term funds ended 1990 at a record high of $498.3 billion—a 16.4 percent increase over 1989's figure of $428.1 billion. This represents the third highest one-year increase in assets since 1984, when assets rose by 30.2 percent. 1990 asset figures of short-term funds were 6½ times higher than 1980 assets.

Total sales of short-term municipal bond funds reached $196.8 billion at yearend 1990, while sales of money market mutual funds (MMMFs) were $1.2 trillion.

Short-term municipal bond fund assets had the highest percentage increase since 1986. By yearend 1990 they had risen over 20 percent to $83.6 billion; in 1986 they had risen 75 percent over the previous year, from $36.3 billion to $63.8 billion.

Part of the appeal of these funds (sometimes called tax-exempt money market funds) is the combination of standard money market fund features with the bonus of tax-free income. Although the generally lower income tax rates imposed by the Tax Reform Act of 1986 may have diminished some investor interest, short-term municipal bond funds remain attractive to investors subject to the top marginal tax rate of 33 percent.

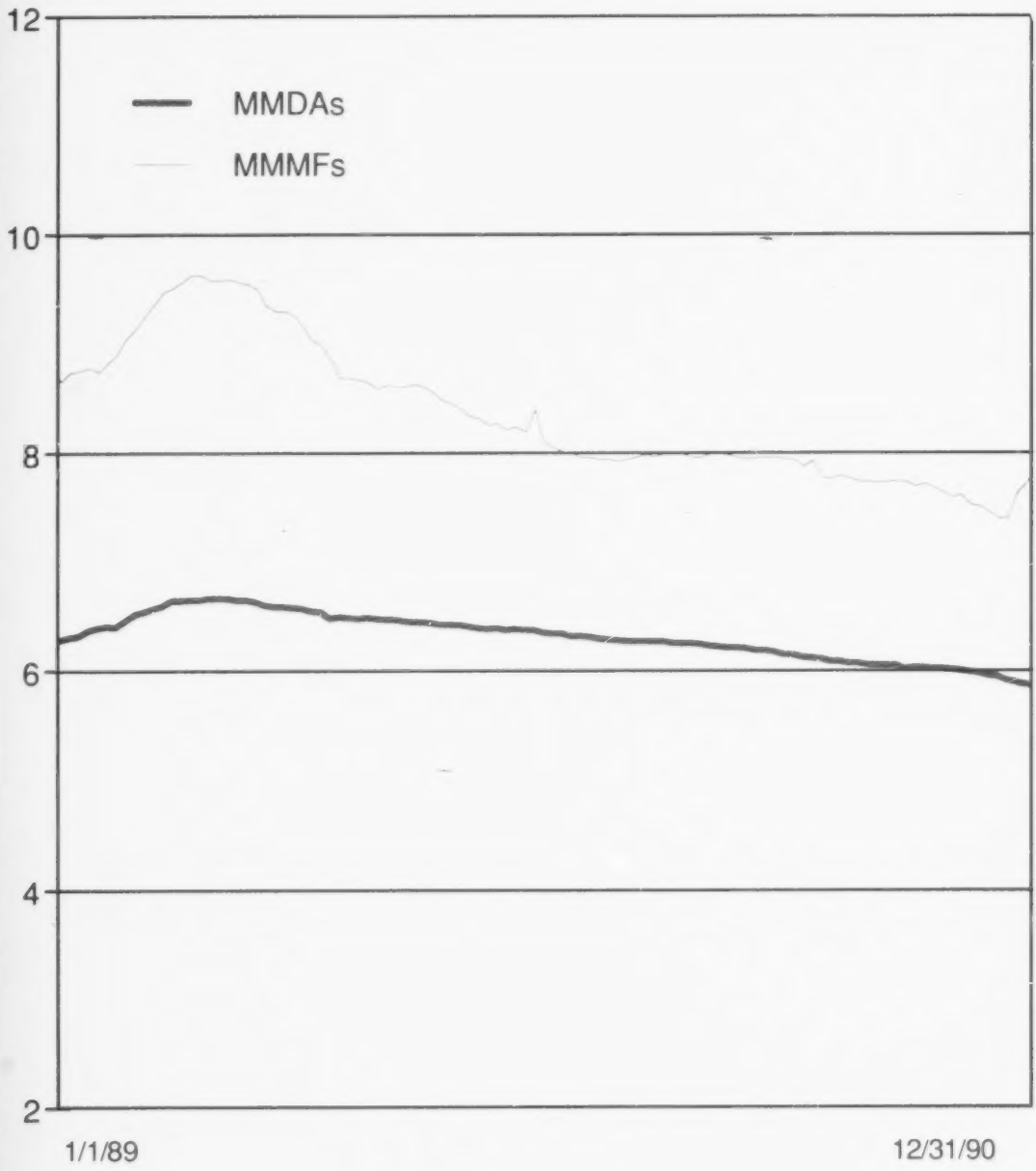
Money market mutual fund assets rose by 15.6 percent. The average annual yield of MMMFs in 1990 was 9.0, and even though weekly yields declined slightly later in the year, by the last week of December they were still considerably higher than yields of money market deposit accounts (MMDAs) that are offered by banks.

The attractiveness of money market mutual funds lies in their versatility. There are three main ways people use a money market fund. One major way is to use it as a cash management tool—a way to earn market rates on money to be used for paying the common bills of everyday life. (Institutions use money market funds this way on a larger scale.) Another is as a savings instrument. And third, money market funds are used as a safe harbor between financial transactions.

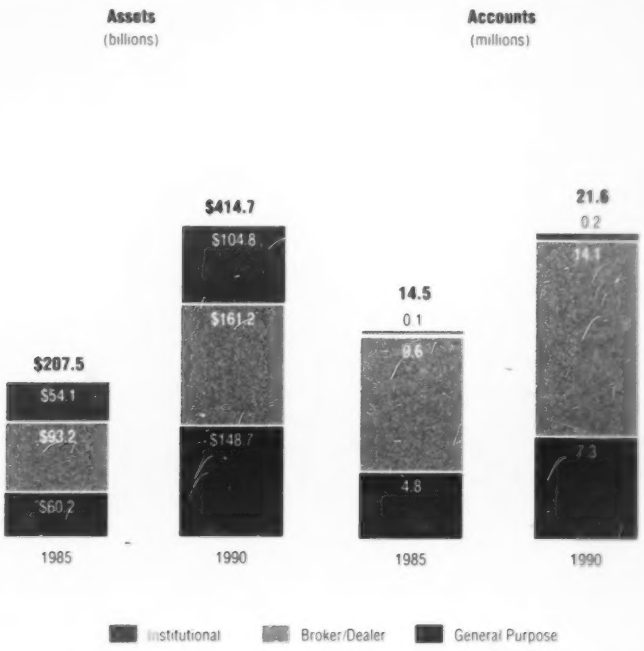
Investors have come to recognize the importance of money market funds in every financial plan. For that reason, there will probably be a relatively stable, ongoing use of these funds as cash management tools. The amount of money people keep in these funds may fluctuate with the changing forces in the market, but money market funds will continue to play a role in responding to investors' needs for a relatively safe, high-yielding, liquid instrument.

There are three broad types of money market mutual funds offering shares—each responding to somewhat different needs. Both general purpose funds and broker/dealer funds sell to individuals and institutions, but in-

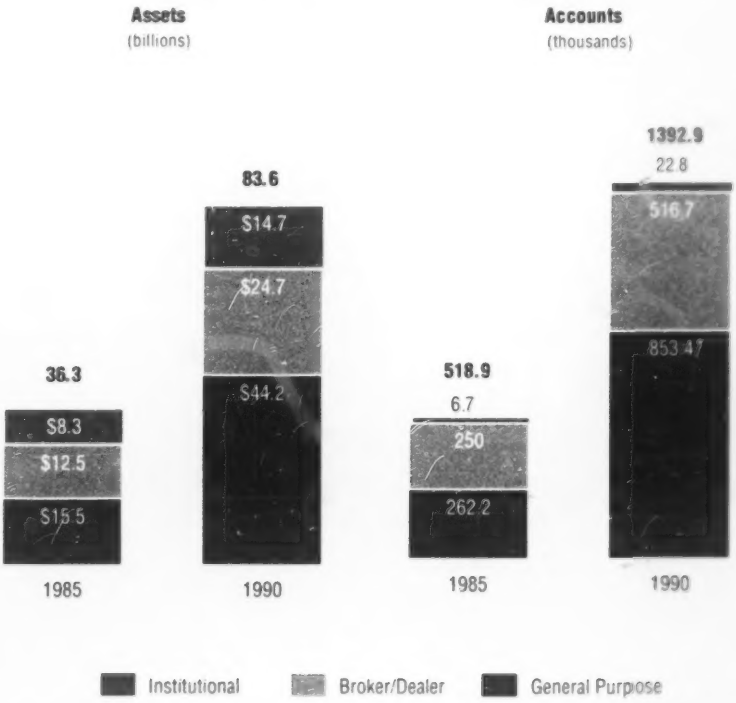
Weekly Yield on MMMFs and MMDAs
January 1, 1989 — December 31, 1990
(percentages)



Money Market Fund Assets and Shareholder Accounts



Short-term Municipal Bond Fund Assets and Shareholder Accounts



dividuals are the primary market and represent over 70 percent of the assets of both types of funds. Conversely, institutional funds concentrate primarily on institutional investors such as business and bank trust departments. These funds are characterized by fewer shareholders with larger amounts to invest.

At the end of 1990, of the $414.7 billion in assets, $161.2 billion or 38.9 percent were in broker/dealer funds. General purpose funds had $148.7 billion and institutional funds had $104.8 billion, 35.8 percent, and 25.3 percent respectively.

Shareholder accounts in money market mutual funds have reached a new record of 21.6 million. Broker/dealer funds held the highest percentage of accounts—65.4 percent—while general purpose funds accounted for 33.6 percent. As noted earlier, institutional funds are composed of a smaller number of accounts with larger account balances. These funds represent only 1 percent of all money market fund accounts.

The growth in accounts of short-term municipal bond funds confirms the appeal they have for investors. Total accounts rose in 1990 to 1.4 million, compared to 1.1 million in 1989, indicating that they are a significant product in the diverse mutual fund marketplace.

XI. Baby Boomers: An Important Market for Mutual Funds

A huge surge of births took place in the United States between 1946 and 1964. At 77 million strong, this large segment of the population is known as the Baby Boom generation. Currently between the ages of 27 and 45, Baby Boomers are heading toward middle age—into the high savings years during which, traditionally, retirement planning and the need to invest for the future have emerged as main financial concerns. As a result, Boomers are thought to be a significant and potentially attractive market for mutual funds.

To gain insight into the investment potential of the Baby Boom generation, as well as the role mutual funds will play in their financial planning, the Investment Company Institute conducted extensive research during 1990 on the financial attitudes of Baby Boomers. Information was collected on their ownership and perception of mutual funds, as well as their general attitudes and behaviors toward saving and investing.

All Baby Boomers

Most Boomers are not the affluent "young urban professionals" they are often depicted to be, according to the study. Nearly one half of Boomer households have two salaries, and their 1989 median household income was $37,000, compared to the 1989 median income for all U.S. households of $29,000. On average, their savings and financial investments totaled $37,000 at the time of the survey, and their total net worth averaged $63,000 (see Figure 1). By comparison, the average net worth of members of the

Income, Savings and Investments, and Net Worth: All Baby Boomers and Boomer Fund Owners

(thousands of dollars per household)

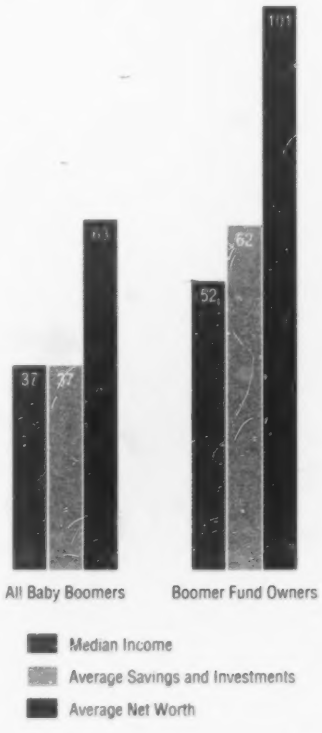
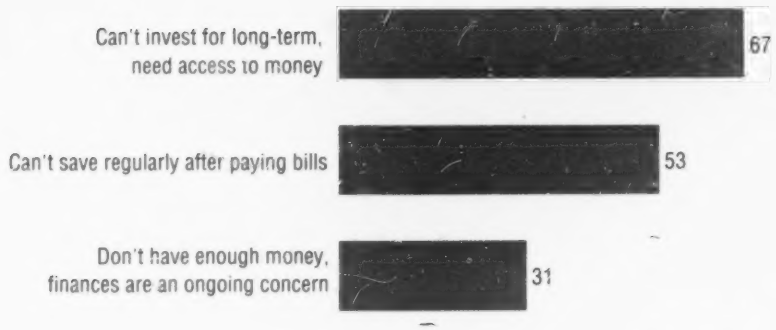


Figure 1

Boomers Are Preoccupied with Making Ends Meet

(percentages)*


Can't invest for long-term, need access to money
67
Can't save regularly after paying bills
53
Don't have enough money, finances are an ongoing concern
31

*Percentage of all Baby Boomers indicating statement describes them very or somewhat well.

Figure 2

preceding generation (aged 46 to 65 years), who were also surveyed, was $153,000.

There are several reasons for Boomers' comparatively low net worth besides their age. First, the law of supply and demand has held down their compensation. Wave after wave of Boomers streaming into the work force has driven down the cost of their labor. Furthermore, their huge numbers have bid up the cost of housing, a factor behind the high cost of borrowing, especially with regard to mortgage rates. Finally, Boomers were raised during the economic expansion of the 1950s and 1960s. Many have developed expectations of material success that they are having trouble reaching. Consequently, there has been a tendency to sacrifice savings in favor of consumption.

While 60 percent of Baby Boomers say they are living comfortably and have only some financial worries, 31 percent report they do not have enough money and that finances are an ongoing concern. Likewise, many members of this generation feel financially restricted and are preoccupied with short-term goals. For example, most Boomers say that, after paying bills, they do not have enough money to save regularly. Most Boomers describe themselves as unable to invest for the long-term because they need immediate access to their money (see Figure 2).

Fund-Owning Boomers

Twenty-seven percent, or nearly 21 million Baby Boomers, own mutual funds (see Figure 3 on the next page). Most Boomer fund owners (57 percent) own only one type of fund—usually stock or money market. They tend to have higher incomes than all Baby Boomers. The 1989 median income of Boomer fund owners was $52,000—

Mutual Fund Ownership Among Baby Boomers

(percentage of households)*

Figure 3

Comparison of the Primary Financial Goal: All Baby Boomers and Boomer Fund Owners

(percentage of households)

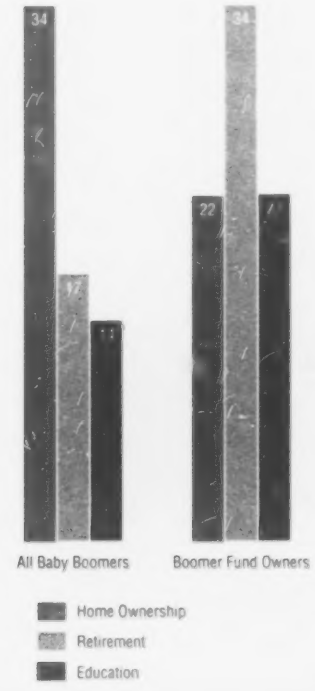


Figure 4

$15,000, or 41 percent, greater than the median income of *all* Baby Boomers ($37,000). Boomer fund owners' savings and investments averaged $62,000 in 1989, and their net worth averaged $101,000.

The research also found that fund-owning Boomers view their financial picture somewhat more optimistically than other Baby Boomers. About two thirds of Boomer fund owners describe their financial situation as "comfortable." These respondents are also more likely to consider themselves "well-off" financially and are much less likely to describe their financial situation as an ongoing concern.

Boomers' Financial Goals

Reflecting Boomers' short-term focus, home ownership is the most frequently cited financial objective for this generation. Because a greater proportion of Boomer fund owners have attained home ownership than all Boomers, the former group is twice as likely as the latter to indicate retirement as their top financial priority. However, as more Boomers satisfy such shorter term goals as home ownership and higher education for

their children, they may begin to shift their financial focus to retirement, seeking to prepare for a comfortable lifestyle in later years (see Figure 4 on page 51).

Mutual funds are an investment vehicle well-suited to such long-term goals, and they will probably play an important role as Boomers plan their retirement. Presently, mutual funds are an integral part of the investment strategy of 27 percent of Boomers, many of whom are saving primarily for retirement. Already mutual funds account for over one third of the total financial assets of Boomers who own funds. They have heard and heeded the message that mutual funds are a good way to invest for the future.

XII. Institutional Markets

Outstanding investment performance, diversification, and other services available through mutual funds are some of the reasons why institutions, in addition to individuals, have enthusiastically embraced mutual funds. Increasingly, these organizations have been turning to mutual funds as investment options.

The institutional marketplace is comprised of several submarkets, including pensions, foundations, nonprofit organizations, personal trusts and estates, and corporate business assets. As the accompanying chart shows, the value of institutional assets under management had risen to $362.8 billion at the end of 1990.

Institutional assets account for a large share of total mutual fund assets. At the end of 1990, 34 percent of all mutual fund assets were held by institutions, up from the 32 percent share they held at the end of 1989.

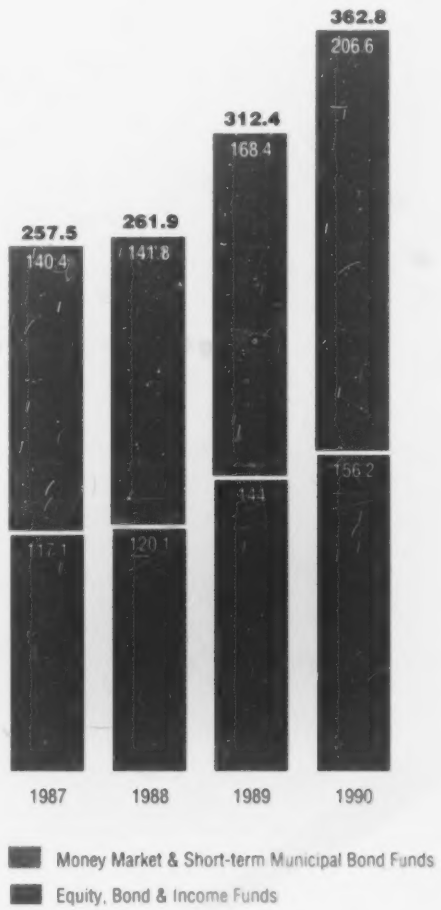
Institutional assets represented 43.2 percent of total money market fund assets at the end of 1990. Reflecting the overall changed economic climate in 1990 and its effect on asset levels in general, institutional assets in money market funds rose 23 percent in 1990 to $179 billion from $145.4 billion in 1989.

Institutional assets in stock, bond, and income funds also grew in 1990, to $156.2 billion, up from $144 billion at yearend 1989.

Along with the rise in assets the number of institutional accounts expanded. At the end of 1990, institutional accounts totaled 9.1 million, a 29 percent increase over 1989's figure of 7.0 million. Since many of these are pooled accounts, the number of fund customers linked to institutions is even larger.

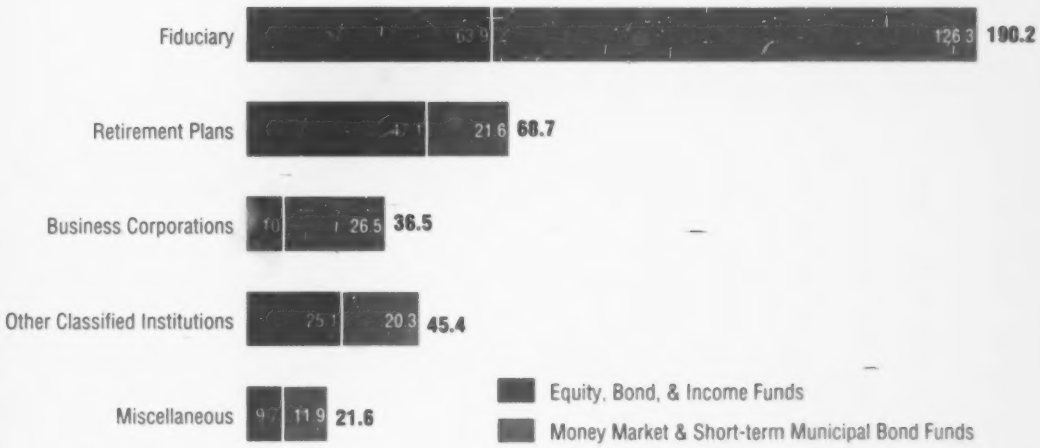
Total Institutional Assets in Mutual Funds

(billions of dollars)



Institutional Assets by Type of Institution - 1990

(billions of dollars)



The institutional marketplace is complex and each of its submarkets has many unique characteristics. By far, the largest such market is the fiduciary group, which represents nearly 60 percent of all institutional accounts and 52.4 percent of all institutional assets.

At the end of 1990, fiduciary accounts of all types of funds numbered 5.4 million and had an estimated total value of $190.2 billion.

The fiduciary market is composed of at least two broad segments: bank trusts and individuals serving as trustees, guardians, and administrators. The former market is served mainly by the money market funds, while the latter is primarily the province of all other types of funds. This distinction is evident from the fact that the average-size fiduciary account associated with money market funds is much larger than stock, bond, and income funds.

Other statistical details relating to the institutional market are contained in tables presented in the data section of the *Fact Book*.

XIII. Mutual Funds: A Global Perspective

The worldwide mutual fund industry experienced extraordinary growth during the eighties and continued to expand in 1990. Since 1985, assets of domestic and foreign mutual funds nearly doubled. Estimates of non-U.S. mutual fund assets place the yearend 1989 figure at over $884 billion, compared to only $170 billion five years earlier. In 1990, mutual fund assets in other countries reached $1.09 trillion. Total assets of U.S. funds were $1.07 trillion.

Whereas part of this growth reflects a growing world economy, it is also attributable to the worldwide acceptance of pooled, managed investments.

Investors in other countries share the same basic needs and desires as U.S. investors. Families need to plan for retirement, educate their children, and improve their living standards. These common needs have led millions of investors to mutual funds. In many countries, the rate of growth in mutual funds in recent years has outstripped the growth rate of all other forms of investments by individuals. More and more U.S. fund managers are recognizing the attractive potential markets that may become available in a number of other countries if reciprocal sales agreements are developed.

Canada

Canada may be the easiest place for fund managers to begin exploring the foreign market potential. The common language, geographic proximity, similar fund structure, and tax incentives for investing suggest an important marketing opportunity. Currently, the Canadian fund industry has assets totaling $21 billion, with 2.6 million accounts. About half of these assets are invested in common stocks.

Recently, there have been encouraging developments toward a reciprocal opening of U.S. and Canadian markets. Even though current U.S.-Canadian proposed agreements on multijurisdictional disclosure exclude investment company securities, they should be able to serve as models for multijurisdictional sales agreements of investment company securities in the future. These proposals call for a common disclosure system combined with individual jurisdictional responsibility for antifraud enforcement. More needs to be done, however, to obtain equitable tax treatment that will allow U.S. and Canadian investment company shares to be marketed throughout both countries.

The Pacific Rim

The Pacific Rim is another potential market for U.S. mutual funds. However, this is not a homogeneous market, and fund managers will have to do extensive research to understand the regulatory environment as well as the marketing opportunities or limitations.

The market of greatest interest is Japan, in view of the economic strength of the country, the widely publicized savings rate of the Japanese population, and the accumulated

mutual fund assets of nearly $354 billion at the end of December 1990. However, as a practical matter, public offerings in Japan must still receive government approval which is difficult to obtain. Even if this obstacle can be overcome, the fairly closed system for distribution presents an essentially impenetrable barrier to U.S. mutual funds at this time.

The European Community (EC)

The implementation of an EC Directive known as Undertakings for Collective Investment in Transferable Securities, or UCITS, in October 1989, has generated much interest in the EC by U.S. fund managers. This Directive facilitates the cross-border marketing of mutual fund shares within the EC by permitting funds registered under the Directive in one EC country to offer its shares for sale in other EC countries without duplicative registration. The Directive establishes a common regulatory scheme regarding investment policies, public disclosure, structure, and control.

Common tax treatment, however, has not been addressed by UCITS or elsewhere. In addition, the Directive does not address marketing practices, and each country retains authority over the marketing of any mutual fund shares.

While there may be no legal inhibitions against a foreign fund marketing its shares in a particular jurisdiction, there may be de facto barriers of custom and administrative practice which can impede foreign funds' access to that market. The Directive does set forth the principle that host country regulation of marketing and advertising cannot discriminate against funds of other member EC states. It may well be that once UCITS is fully implemented, competitive forces will compel changes in local marketing and distribution practices and regulation.

To function within the framework of UCITS, fund managers must register a new fund in an EC member nation that has enacted the appropriate legislation for the Directive. The two most common locations to date are Luxembourg and Ireland. Generally, some administrative functions of the fund must be located within that jurisdiction. Once registered, the fund manager then must seek appropriate distribution channels in the countries selected for marketing.

Prior to the implementation of UCITS, and still an option today, is registering an existing U.S. fund in a specific European country for marketing only in that country. However, such a fund must comply with the domestic law of the country it seeks to enter, not with UCITS standards. This approach does not allow the flexibility of marketing in the other countries of the European Community.

Europe consists of some of the most affluent and financially sophisticated markets in the world and contains 320 million consumers. The aggregate assets held in mutual funds in the EC totaled $644 billion in 1990. However, it is not a homogeneous market.

For example, the mutual fund industry in Germany is nearly 90 percent concentrated in debt instruments, and shares are sold primarily through banks, which also serve as the sponsoring organization. Investors in Germany value the personal advice and trust that banks offer, and there is resistance to certain kinds of sales methods.

In France, the EC country with the largest pool of mutual fund assets, one fourth of those assets are invested in money market instruments while over half are invested in debt instruments. As with Germany, fund shares are sold to customers predominantly by banks.

Assets of Open-end Investment Companies

(millions of U.S. dollars)

	1984	1985	1986	1987	1988	1989	1990
Germany	$12,340	$20,570	$31,426	$42,255	$52,349	$57,300[B]	$82,882[D]
Belgium	1,520	2,840	5,255	7,387	4,754	4,300[A]	4,862[A]
Denmark	1,090	2,500	4,304	N/A	N/A	N/A	3,548[B]
France	45,220	84,600	152,951	204,000	181,810	197,100[B]	383,180
Great Britain	17,500	29,360	51,272	67,937	76,705	88,900[B]	91,530
Ireland	N/A	N/A	N/A	N/A	N/A	5,000[A]	N/A
Italy	2,800	16,290	47,122	50,844	40,158	45,420	41,860
Netherlands	5,750	9,090	12,909	15,500	N/A	N/A	36,400
Japan	73,200	99,020	197,144	318,829	433,940	409,174[B]	353,528
Korea	5,757	7,134	10,352	13,578	20,918	26,000[B]	32,850[C]
India	N/A	N/A	N/A	N/A	17,000	N/A	12,477
Canada	5,072	7,402	12,626	15,552	17,200	19,700[B]	21,400
Australia	N/A	3,300	4,100	6,900	12,180	30,892[R]	29,125
Total Other Countries	**$170,249**	**$282,106**	**$529,461**	**$742,782**	**$857,014**	**$883,786[R]**	**$1,093,642**
USA							
(long-term)	$137,200	$251,700	$424,200	$453,800	$472,300	$553,900	$570,800
(short-term)	233,500	243,800	292,100	316,100	338,000	428,100	498,300
Total USA	**$370,700**	**$495,500**	**$716,300**	**$769,900**	**$810,300**	**$982,000**	**$1,069,100**
Total	**$540,949**	**$777,606**	**$1,245,761**	**$1,512,682**	**$1,667,314**	**$1,865,786[R]**	**$2,162,742**

[A] = June
[B] = September
[R] = Revised
[C] = October
[D] = Excludes special funds

The Italian market appears to be more open in terms of both risk tolerance and distribution. Fund shares in Italy are sold not only through banks but also through sales networks which generally are a separate company of agents selling the funds of one organization. Frequently, sales are made through a combination of these sales networks and banks.

The industry in the United Kingdom (U.K.) more closely parallels the U.S. in terms of investments and distribution. The U.K. has more stock funds than other European markets, suggesting a higher risk tolerance in this marketplace. The distribution is more varied than in the rest of the EC, with independent intermediaries accounting for the largest share of distribution, about 40 percent. Insurance companies also play a significant role, and a smaller but important role is played by direct sales and banks.

To facilitate the cross-border marketing of existing funds, the Investment Company Institute has been engaged in discussions with European fund industry representatives over the past three years to explore the possibility of using UCITS as a basis for developing a reciprocity agreement between the EC and the U.S. As the global evolution of financial services proceeds with increasing rapidity, it is important that fund organizations monitor events that are taking place and consider their impact on the mutual fund industry in general, as well as on their own organization. As the major differences in the regulatory schemes are identified and resolved, the resulting global market will benefit not only the mutual fund industry, but, more important, the worldwide investing public.

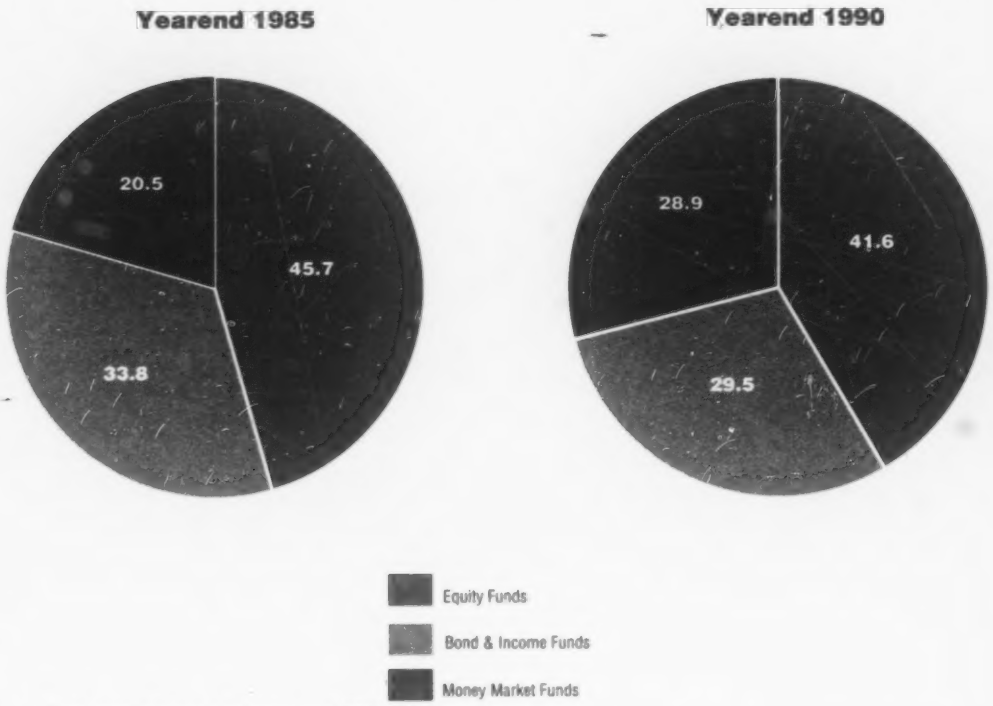
XIV. The Retirement Market

Mutual funds are especially compatible with the long-term objectives of saving for retirement because:

- There is a fund to match any long-term objective and risk/reward preference.
- Families of funds provide great flexibility through the exchange feature, enabling shareholders to adjust their holdings to economic conditions as well as to changes in their personal financial circumstances.
- Mutual funds work best over long periods of time, when allowed to ride out the ups and downs of market cycles.
- Funds provide a wide range of services, such as automatic withdrawal plans and complete recordkeeping. (See page 24 for information on other

IRA Assets by Type of Fund*

(percentages)



*Total assets include rollovers and SEP-IRAs.

Estimated Value of IRA Plans—Yearend

(billions of dollars)

	1985	1986	1987	1988	1989	1990
Commercial Banks	$51.5	$67.0	$77.0	$88.0	$98.9	$118.6
Thrifts	56.4	69.0	77.1	90.0	97.5	92.1
Life Insurance Co.	16.9	22.0	30.1R	36.0	49.0	56.8
Credit Unions	13.9	20.5	22.6	25.0	26.2	28.8
Mutual Funds	31.5R	53.7	72.2	86.0	111.8	127.3
Self-directed	29.4	44.9	58.9	68.0	82.0	105.0
Total IRA Value	**$199.6R**	**$277.1**	**$337.9R**	**$393.0**	**$465.4**	**$528.6**

R=Revised

Percent Distribution of IRA Assets—Yearend

	1985R	1986	1987R	1988R	1989	1990
Commercial Banks	25.8%	24.2%	22.8%	22.4%	21.3%	22.4%
Thrifts	28.2	24.9	22.8	22.9	21.0	17.4
Life Insurance Co.	8.5	7.9	8.9	9.2	10.5	10.8
Credit Unions	7.0	7.4	6.7	6.3	5.6	5.4
Mutual Funds	15.8	19.4	21.4	21.9	24.0	24.1
Self-directed	14.7	16.2	17.4	17.3	17.6	19.9
Total IRA Value	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

R=Revised

services offered by funds, and see the box on page 64 for descriptions of various retirement plans.)

IRAs

The Individual Retirement Account (IRA) market has rapidly grown to command the largest share of the mutual fund industry's retirement assets.

Although the Tax Reform Act of 1986 modified the ground rules for IRAs, they are still a strong mutual fund market.

In 1981, before IRAs were liberalized to allow all working Americans to create do-it-yourself retirement programs, mutual funds had only $2.6 billion of assets in 500,000 IRA accounts. By the end of 1990, mutual fund IRA assets had jumped to $127.3 billion in 18.9 million accounts. Compared to 1989, mutual fund IRA assets increased by $15.5 billion, or 14 percent, and the number of accounts grew by almost 1.8 million. Although down from the previous year, this growth is significant. In 1989, mutual fund IRA assets had increased by 30 percent, from $86 billion in 1988 to $111.8 billion at yearend 1989, and accounts had grown by 1.5 million.

Of the industry's $127.3 billion in IRA assets, $53 billion or 41.6 percent of assets were in equity funds, $37.5 billion or 29.5 percent of IRA assets were in bond and income funds, and $36.8 billion or 28.9 percent were in money market funds.

These figures indicate a shift in IRA assets in 1990 from long-term funds to money market funds. During the

Mutual Fund IRAs by Investment Objective

Investment Objective	Percent of Assets as of 12/31/90
Aggressive Growth	8.1%
Growth	9.9
Growth & Income	14.0
Precious Metals	0.6
International	1.5
Global Equity	2.4
Income-Equity	4.6
Option/Income	0.4
Flexible Portfolio	1.7
Balanced	2.3
Income-Mixed	2.7
Income-Bond	2.1
U.S. Government Income	10.0
Ginnie Mae	4.7
Global Bond	0.3
Corporate Bond	2.2
High-yield Bond	3.5
Money Market	29.0

economic downturn in 1990, shareholders may have preferred the relative stability of money market mutual funds compared to other mutual funds. In 1989, bond and income funds held 30.4 percent of IRA assets while money markets held 22.9 percent.

Of the 18.9 million mutual fund IRA accounts, at yearend 1990,equity funds had 8.9 million, bond and income funds had 4.3 million, and money market funds had 5.7 million.

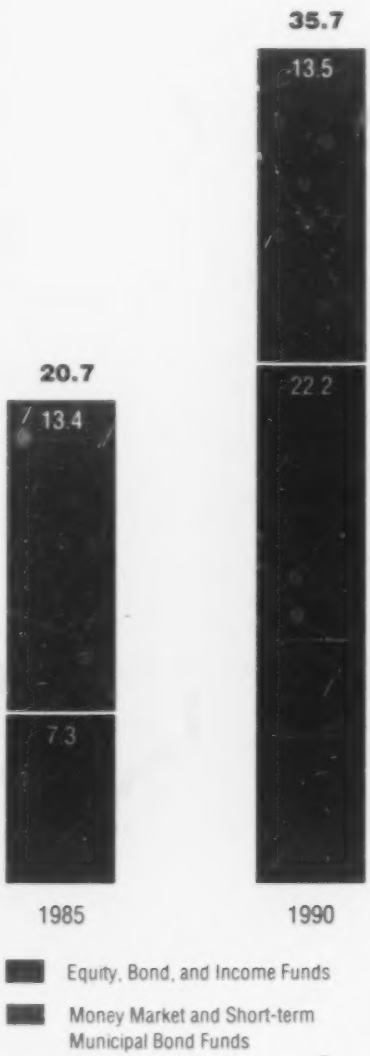
At the end of 1981, when IRAs were liberalized, only 1 percent of all mutual fund assets were held in IRA accounts. At the end of 1990, that share had grown to 11.9 percent. In addition, 30.2 percent of all mutual fund accounts are IRA accounts. (Some IRA mutual fund shareholders hold multiple accounts.)

At the end of 1981, when all Americans with earned income became eligible for IRAs, mutual funds accounted for 9.9 percent of all IRA assets in the marketplace. Growth in mutual fund IRA assets since that time occurred at a greater rate than growth in competing investments, resulting in an increased share of the IRA market for mutual funds. With 24.1 percent of the total IRA market, mutual funds held the greatest share of this market in 1990.

The rollover market presents an important opportunity for mutual funds. A rollover occurs when money from a pension plan is moved into an IRA or other tax-qualified plan. Rollovers can also occur from an existing IRA to another IRA. When people leave their jobs, they receive the vested portion of their pension plan in a lump sum. In order to avoid tax penalties, they must put that money into an IRA or other tax-qualified plan within 60 days. With a renewed national interest in savings and concerns about retirement security, the rollover market may become a

Total Net Assets Held in Pension and Profit-sharing Accounts in Mutual Funds Yearend 1990

(billions of dollars)



Growth in Mutual Fund IRA Plans - 1990

Growth in Mutual Fund Self-employed Retirement Plans - 1990

Retirement Plans

Federal income tax laws permit the establishment of a number of types of retirement plans, each of which may be funded with mutual fund shares.

Individual Retirement Accounts

All wage-earners under the age of 70½ may set up an Individual Retirement Account (IRA). The individual may contribute as much as 100 percent of his or her compensation each year, up to $2,000. Earnings are tax-deferred until withdrawal. The amount contributed each year may be wholly or partially tax-deductible. Under the Tax Reform Act of 1986, all taxpayers not covered by employer-sponsored retirement plans can continue to take the full deduction for IRA contributions. Those who are covered, or who are married to someone who is covered, must have an adjusted gross income of no more than $25,000 (single) or $40,000 (married, filing jointly) to take the full deduction. The deduction is phased out for incomes between $25,000 and $35,000 (single) and $40,000 and $50,000 (married, filing jointly). An individual who qualifies for an IRA and has a spouse who either has no earnings or elects to be treated as having no earnings, may contribute up to 100 percent of his or her income or $2,250, whichever is less.

Simplified Employee Pensions (SEPs)

SEPs are employer-sponsored plans that may be viewed as an aggregation of separate IRAs. In a SEP, the employer contributes up to $30,000 or 15 percent of compensation, whichever is less, to an Individual Retirement Account maintained for the employee. SEPs established for employers with 25 or fewer employees may contain a "cash or deferred" arrangement allowing employees to make additional elective salary deferrals to the SEP.

Corporate and Self-employed Retirement Plans

Tax-qualified pension and profit-sharing plans may be established by corporations or self-employed individuals. Changes in the tax laws have made retirement plans for employees of corporations and those for self-employed individuals essentially comparable. Contributions to a plan are tax-deductible and earnings accumulate on a tax-sheltered basis.

The maximum annual amount which may be contributed to a defined contribution plan on behalf of an individual is limited to the lesser of 25 percent of the individual's compensation or $30,000.

Section 403(b) Plans

Section 403(b) of the Internal Revenue Code permits employees of certain charitable organizations and public school systems to establish tax-sheltered retirement programs. These plans may be invested in either annuity contracts or mutual fund shares.

Section 401(k) Plans

One particularly popular type of tax-qualified retirement plan which may be offered by either corporate or noncorporate entities is the 401(k) plan. A 401(k) plan is usually a profit-sharing plan that includes a "cash or deferred" arrangement. The cash or deferred arrangement permits employees to have a portion of their compensation contributed to a tax-sheltered plan on their behalf or paid to them directly as additional taxable compensation. Thus an employee may elect to reduce his or her taxable compensation with contributions to a 401(k) plan where those amounts will accumulate tax-free. Employers often "match" these amounts with employer contributions. The Tax Reform Act of 1986 established new, tighter antidiscrimination requirements for 401(k) plans and curtailed the amount of elective deferrals which may be made by all employees. Nevertheless, 401(k) plans remain excellent and popular retirement savings vehicles.

significant source of new mutual fund assets.

The Tax Reform Act of 1986 brought significant changes to IRAs (see boxed section in this chapter on page 64). Nevertheless, about 87 percent of American households are still able to take a full or partial IRA deduction. For instance, any individual who is not covered by an employer-provided pension plan, and whose spouse is not covered by an employer-provided pension plan, can take the full IRA deduction without regard to the amount of earned income. Furthermore, the tax deferral that IRAs provide is a powerful wealth-building tool.

Other positive factors that will affect the mutual fund IRA market in the future include the large number of outstanding IRA accounts held elsewhere whose owners may turn to mutual funds for improved performance, the benefit of professional money management, and the convenience of recordkeeping that funds offer IRA shareholders. Thus, IRAs should continue to be an important market for mutual funds in the post-tax reform environment.

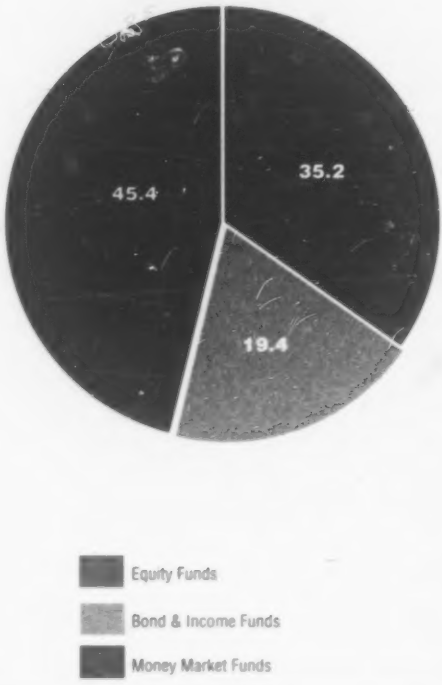
Retirement Plans for the Self-employed

Mutual funds, traditionally holding close to a third of the market for retirement plans for the self-employed (also known as Keogh plans), had 815,000 of these accounts under management at the end of 1990. These plans totaled $15.2 billion in assets, up over 17 percent from 1989 assets.

As the chart above illustrates, 35.2 percent of these 1990 retirement plan assets managed by mutual funds were in equity funds, 19.4 percent were in bond and income funds, and 45.4 percent were in money market funds. The shift in assets that occurred in mutual

Self-employed Retirement Plan Assets by Type of Fund Yearend 1990

(percentages)



fund IRAs also occurred in self-employed retirement plan assets that were invested in mutual funds. More money was shifted out of equity funds and into money market funds, probably as an effort to combat the volatility in the financial markets. In 1989, 45.7 percent of self-employed retirement plan assets were in equity funds, 18.9 percent were in bond and income funds, and 35.4 percent were in money market mutual funds.

The self-employed retirement plan market has become increasingly important since the liberalization of the tax laws in 1982. This change eliminated most of the distinctions between corporate plans and plans maintained for the self-employed, and allowed self-employed individuals to put away the

lesser of 25 percent of income or $30,000.

Although the law no longer distinguishes between plans for the self-employed and corporate pension plans, some new restrictions apply to any plan which is a "top-heavy" plan, i.e., a plan under which a substantial portion of the benefits accrue on behalf of certain key employees of the employer. Most Keogh plans are treated as "top-heavy" plans subject to the afore-mentioned restrictions. Many mutual fund complexes offer prototype "top-heavy" plans that comply with all of the new provisions of law.

Corporate Plans

In recent years, mutual funds have made substantial progress in attracting corporate pension and profit-sharing accounts. Corporate plan sponsors have come to appreciate the built-in advantages mutual funds can offer their plans. Mutual funds give them access to top professional money managers, instant diversification, a portfolio managed according to a well-defined philosophy and policy, liquidity, and ease of administration.

Glossary of Mutual Fund Terms

(For explanation of types of funds, see pages 12-13; for retirement plans, see page 64.)

Adviser
The organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices (also called "investment adviser").

Asked or Offering Price
(As seen in some mutual fund newspaper listings.)
The price at which a mutual fund's shares can be purchased. The asked or offering price means the current net asset value per share plus sales charge, if any.

Automatic Reinvestment
An option available to mutual fund shareholders in which fund dividends and capital gains distributions are automatically plowed back into the fund to buy new shares and thereby increase holdings.

Bid or Redemption Price
(As seen in some mutual fund newspaper listings.)
The price at which a mutual fund's shares are redeemed (bought back) by the fund. The bid or redemption price usually equals the current net asset value per share.

Broker/Dealer (or Dealer)
A firm that buys and sells mutual fund shares and other securities to the public.

Capital Gain Distributions
Payments to mutual fund shareholders of profits realized on the sale of securities in the fund's portfolio. These amounts are usually distributed to shareholders annually.

Capital Growth
An increase in market value of a mutual fund's securities, as reflected in the net asset value of fund shares. This is a long-term objective of many mutual funds.

Captive (or Dedicated) Sales Force
See Sales Force Marketing.

Closed-end Investment Company
Unlike mutual funds (known as "open-end" investment companies), closed-end companies issue a limited number of shares and do not redeem them (buy them back). Instead, closed-end shares are traded in the securities markets, with supply and demand determining the price.

Contingent Deferred Sales Charge (CDSC)
A fee imposed when shares are redeemed (bought back by the fund) during the first few years of share ownership.

Contractual Plan
A program for the accumulation of mutual fund shares in which the investor agrees to invest a fixed amount on a regular basis for a specified number of years. A substantial portion of the sales charge applicable to the total investment is usually deducted from early payments.

Custodian
The organization (usually a bank) that keeps custody of securities and other assets of a mutual fund.

Direct Marketing
A method of distribution whereby funds sell their shares directly to the public without the intervention of a salesperson. Investors purchase fund shares through the mail or by telephone in response to advertising or direct solicitation.

Diversification
The mutual fund policy of spreading its investments among a number of different securities to reduce the risks inherent in investing. The average investor would find it difficult to amass a portfolio as diversified as that of a mutual fund.

Dollar-cost Averaging
Investing equal amounts of money at regular intervals regardless of whether securities markets are moving up or down. This practice reduces average share costs to the investor who acquires more shares in periods of lower securities prices and fewer shares in periods of higher prices. Unlike a contractual plan, dollar-cost averaging is voluntary.

Exchange Privilege
Enables mutual fund shareholders to transfer their investment from one fund to another within the same fund family as shareholder needs or objectives change. Usually funds let investors use the exchange privilege several times a year for a low or no fee per exchange.

Income Dividends
Payments to mutual fund shareholders of dividends, interest, and/or short-term capital gains earned on the fund's portfolio of securities after deducting operating expenses.

Investment Adviser
See Adviser.

Investment Company
A corporation, trust, or partnership which invests pooled funds of shareholders in securities appropriate to the fund's objective. Among the benefits of investment companies are professional management and diversification. Mutual funds (open-end investment companies) are the most popular type of investment company.

Investment Objective
The goal—such as long-term capital growth, current income, growth and income, etc.—which an investor or a mutual fund pursues. Each fund's objective is stated in its prospectus. (See pages 12-13 for explanations of each objective.)

Load—no-load, initial or front-end load, or back-end load.
See Sales Charge.

Long-term Funds
An industry designation for all funds other than short-term funds (money market and short-term municipal bond). The two broad categories of long-term funds are equity (stock) and bond and income funds.

Management Fee
The amount paid by mutual funds to their investment advisers. The average annual fee industrywide is about one-half of one percent of fund assets.

Money Managers
See Portfolio Managers.

Mutual Fund
An investment company that pools money from shareholders and invests in a variety of securities, including stocks, bonds, and money market securities. A mutual fund stands ready to buy back (redeem) its shares at their current net asset value. The value of the shares depends on the market value of the fund's portfolio

securities at the time. Most mutual funds offer new shares continuously.

National Association of Securities Dealers, Inc. (NASD)
A self-regulatory organization for member securities brokerage firms with authority over the distribution of mutual fund shares.

Net Asset Value (NAV) per Share
The market worth of a mutual fund's total assets—securities, cash, and any accrued earnings—after deducting liabilities, divided by the number of shares outstanding. NAV is expressed as the value of a single share in the fund.

Open-end Investment Company
The statutory terminology for a mutual fund, indicating that it stands ready to redeem (buy back) its shares on demand.

Over-the-Counter Market
The market for securities transactions conducted through a communications network connecting dealers in stocks and bonds.

Payroll Deduction Plan
An arrangement some employers offer whereby employees may accumulate shares in a mutual fund. Employees authorize their employer to deduct a specified amount from their salary at stated times and transfer the proceeds to the fund.

Periodic Payment Plan
See Contractual Plan.

Portfolio Managers
Specialists employed by mutual fund companies to invest the pool of money in accordance with the fund's investment objectives.

Prospectus
The official booklet that describes a mutual fund. The prospectus contains information as required by the U.S. Securities and Exchange Commission on such subjects as the fund's investment objectives and policies, services, investment restrictions, officers and directors, how shares are bought and redeemed, fund fees and other charges, and the fund's financial statements. A more detailed document, known as "Part B" of the prospectus or the "Statement of Additional Information," is available at no charge upon request.

Redemption Price
The amount per share that mutual fund shareholders receive when they liquidate their shares (also known as the "bid price").

Reinvestment Privilege
A service provided by most mutual funds for the automatic reinvestment of shareholder dividends and capital gains distributions into additional shares.

Rollover
The movement of money from a pension plan into an IRA or other tax-qualified plan without a tax penalty. The plan participant first receives the money as a lump sum distribution and must "rollover" the funds within 60 days to avoid paying taxes on the sum.

Sales Charge
An amount charged to purchase shares in many mutual funds sold by brokers or other members of a sales force. Typically, the charge ranges up to 8.5 percent of the initial investment. The charge is added to the net asset value per share when determining the offering price.

Some funds sold by brokers and other sales personnel no longer charge the initial or front-end load or sales charge; instead they charge an annual 12b-1 fee (see page 70), which may range up to 1.25 percent. In many cases, such funds also have a declining continent deferred sales charge or "back-end load"—i.e., a charge imposed when shares are redeemed—on

shares that are sold during the first few years of ownership. Funds that are sold directly to investors charge small commissions, or none at all. The latter are referred to as "no-load" funds.

Sales Force Marketing
A method of distribution whereby funds sell their shares to the public through sales professionals, such as brokers, financial planners, and insurance agents. Some fund organizations sell shares through a captive sales force—sales professionals employed by the fund organization to market only the shares of its associated funds.

Securities and Exchange Commission (SEC)
The primary U.S. federal agency that regulates investment companies.

Short-term Funds
An industry designation for money market and short-term municipal bond funds. Due to the special nature of these funds and the huge, continuous inflows and outflows of money they experience, they are rarely viewed in terms of sales figures, as long-term funds are. Tracking changes in total assets is usually the preferred method of following trends in short-term funds.

Single-state Funds
These funds, which may be short-term or long-term state municipal bond funds (see page 13) invest in the tax-exempt securities issued by governmental organizations of a single state. Investors in these funds who reside in that state receive earnings free from both federal and state taxes.

Tax-exempt Money Market Funds
Another name for short-term municipal bond funds, so called because they invest in money market securities issued by states and municipalities to finance public projects, as well as in other tax-exempt securities with short remaining maturities. Earnings from these funds are exempt from federal taxation.

Transfer Agent
The organization employed by a mutual fund to prepare and maintain records relating to the accounts of its shareholders.

12b-1 Fee
Fee charged by some funds and named after the 1980 Securities and Exchange Commission rule that permits them. Such fees pay for distribution costs such as advertising or for commissions paid to brokers. The fund's prospectus details 12b-1 charges, if applicable.

Underwriter
The organization that acts as the distributor of a mutual fund's shares to broker/dealers and investors.

Unit Investment Trust
An investment company that purchases a fixed portfolio of income-producing securities. Units in the trust are sold to investors by brokers.

Variable Annuity
An investment contract sold to an investor by an insurance company. Capital is accumulated, often through investment in a mutual fund, and converted to an income stream at a future date, perhaps retirement. Income payments vary with the value of the account.

Withdrawal Plans
A program in which shareholders receive payments from their mutual fund investments at regular intervals. Typically, these payments are drawn from the fund's dividends and capital gains distributions, if any, and from principal, as needed. Many mutual funds offer these plans.

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Total Industry Net Assets

(billions of dollars)

Year	Equity Funds	Bond & Income Funds	Money Market Funds	Short-term Municipal Bond Funds	Total
1975	$32.4	$9.8	$3.7	-	$45.9
1976	34.3	13.3	3.7	-	51.3
1977	30.0	15.0	3.9	-	48.9
1978	29.0	16.0	10.9	-	55.9
1979	32.5	16.5	45.2	0.3	94.5
1980	41.0	17.4	74.5	1.9	134.8
1981	38.4	16.9	181.9	4.2	241.4
1982	50.6	26.3	206.6	13.2	296.7
1983	73.9	39.7	162.6	16.8	293.0
1984	83.1	54.0	209.7	23.8	370.6
1985	116.9	134.8	207.5	36.3	495.5
1986	161.5	262.6	228.3	63.8	716.2
1987	180.7	273.1	254.7	61.4	769.9
1988	194.8	277.5	272.3	65.7	810.3
1989	249.1	304.8	358.7	69.4	982.0
1990	245.8	325.0	414.7	83.6	1,069.1

Total Industry Shareholder Accounts

(millions)

Year	Equity* Funds	Bond & Income Funds	Money Market Funds	Short-term Municipal Bond Funds	Total
1976	8.9		0.2	-	9.1
1977	8.5		0.2	-	8.7
1978	7.4	0.8	0.5	-	8.7
1979	5.6	1.9	2.3	-	9.8
1980	5.8	1.5	4.8	-	12.1
1981	5.7	1.5	10.3	-	17.5
1982	6.2	2.0	13.1	0.1	21.4
1983	8.9	3.2	12.3	0.2	24.6
1984	10.0	4.4	13.6	0.3	28.3
1985	11.5	8.3	14.5	0.5	34.8
1986	16.6	13.2	15.6	0.7	46.1
1987	21.4	15.5	16.8	0.8	54.5
1988	20.6	15.4	17.8	0.9	54.7
1989	21.5R	15.4R	20.2	1.1	58.2
1990	23.0	16.6	21.6	1.4	62.6

**Equity funds could not be counted separately from bond & income funds before 1978.*

Total Number of Funds

Year	Equity Funds	Bond & Income Funds	Money Market Funds	Short-term Municipal Bond Funds	Total
1976	278	126	48	-	452
1977	274	153	50	-	477
1978	272	172	61	-	505
1979	268	180	76	-	524
1980	267	191	96	10	564
1981	286	200	159	20	665
1982	320	219	281	37	857
1983	374	279	307	66	1,026
1984	471R	349R	326R	95R	1,241R
1985	579	492R	346R	111R	1,528R
1986	701	654R	359R	126R	1,840R
1987	846R	930R	388R	153R	2,317R
1988	1,016R	1,094R	431R	174R	2,715R
1989	1,080R	1,173	463	201	2,917R
1990	1,127	1,235	508	238	3,108

R=Revised

An Overview: Shareholder Accounts, Total Net Assets, and Liquid Assets Equity, Bond, and Income Funds 1970-1990

Calendar Yearend	Number of Reporting Funds	Number of Accounts (thousands)	Net Assets (billions of dollars)	Liquid Assets (billions of dollars)
1970	361	10,690.3	$47.6	$3.1
1971	392	10,901.0	55.0	2.6
1972	410	10,635.3	59.8	2.6
1973	421	10,330.9	46.5	3.4
1974	416	9,970.4	34.1	3.4
1975	390	9,667.3R	42.2	3.2
1976	404	8,879.4	47.6	2.4
1977	427	8,515.1	45.0	3.3
1978	444	8,190.6	45.0	4.5
1979	446	7,482.2	49.0	4.7
1980	458	7,325.5	58.4	5.3
1981	486	7,175.5	55.2	5.3
1982	539	8,190.3	76.8	6.0
1983	653	12,065.0	113.6	8.3
1984	820	14,423.6R	137.1	12.2
1985	1,071	19,845.6	251.7	20.6
1986	1,355R	29,790.2	424.2	30.7
1987	1,776R	36,855.0R	453.8	38.0
1988	2,110R	36,212.0	472.3	45.1
1989	2,253	36,968.3R	553.9	44.8
1990	2,362	39,614.0	570.8	48.6

Note: *Figures for shareholder accounts represent combined totals for member companies. Duplications have not been eliminated.*

R=Revised

Comparable data for short-term funds can be found on page 98. Industry totals can be found on pages 74-75.

Type of Shareholder Accounts
Equity, Bond, and Income Funds
1971-1990

Yearend	Total Shareholder Accounts	Regular Accounts	Contractual Accumulation Plans	Contractual Single Payment Plans	Withdrawal Accounts
Number (thousands)					
1971	10,901	8,996	1,455	169	281
1972	10,635	8,856	1,342	157	280
1973	10,331	8,699	1,214	166	252
1974	9,970	8,524	1,081	140	225
1975	9,667	8,302	1,029	126	210
1976	8,879	7,647	930	112	190
1977	8,515	7,395	844	101	175
1978	8,191R	7,203R	757	75	156
1979	7,482	6,602	677	64	139
1980	7,326	6,598	554	45	129
1981	7,175	6,486	537	30	122
1982	8,190	7,573	471	28	118
1983	12,065	11,326	585	20	134
1984	14,424	13,666	615	17	126
1985	19,846	19,010R	647	17	172R
1986	29,790	28,919	624	16	231
1987	36,855R	35,887R	687	17	264
1988	36,212	35,331	605	16	260
1989	36,968R	36,108R	561	14	285
1990	39,614	38,769	463	4	378
Percent					
1971	100.0%	82.5%	13.3%	1.6%	2.6%
1972	100.0	83.3	12.6	1.5	2.6
1973	100.0	84.2	11.8	1.6	2.4
1974	100.0	85.5	10.8	1.4	2.3
1975	100.0	85.9	10.6	1.3	2.2
1976	100.0	86.1	10.5	1.3	2.1
1977	100.0	86.9	9.9	1.2	2.0
1978	100.0	87.9	9.3	0.9	1.9
1979	100.0	88.2	9.0	0.9	1.9
1980	100.0	90.1	7.6	0.6	1.7
1981	100.0	90.4	7.5	0.4	1.7
1982	100.0	92.5	5.8	0.3	1.4
1983	100.0	93.8	4.9	0.2	1.1
1984	100.0	94.8	4.2	0.1	0.9
1985	100.0	95.8	3.2	0.1	0.9
1986	100.0	97.0	2.1	0.1	0.8
1987	100.0	97.4	1.8	0.1	0.7
1988	100.0	97.6	1.7	0.0	0.7
1989	100.0	97.7	1.5	0.0	0.8
1990	100.0	97.8	1.2	0.0	1.0

R=Revised

Total Net Assets of Equity, Bond, and Income Funds by Fund Characteristics Yearend

(millions of dollars)

	1989		1990	
	Dollars	**Percent**	**Dollars**	**Percent**
Total Net Assets	**$553,861.7R**	**100.0%**	**$570,743.6**	**100.0%**
Method of Sales				
Sales Force	$376,016.9	67.9%	$383,006.1	67.1%
Direct Marketing	154,769.8	27.9	163,169.2	28.6
Variable Annuity	20,966.5R	3.8	23,328.5	4.1
Not Offering Shares	2,108.5	0.4	1,239.8	.2
Investment Objective				
Aggressive Growth	$37,209.0	6.7%	$35,395.2	6.2%
Growth	66,078.8	11.9	68,151.4	11.9
Growth & Income	91,353.1R	16.5	86,903.3	15.2
Precious Metals	4,089.3	0.7	3,122.5	.5
International	9,888.3	1.8	14,323.5	2.5
Global Equity	13,697.0	2.5	13,465.9	2.4
Income-Equity	22,925.2	4.2	22,266.7	3.9
Option/Income	3,804.3	0.7	2,159.8	.4
Flexible Portfolio	4,142.6	0.8	6,701.1	1.2
Balanced	13,519.0	2.4	12,837.7	2.2
Income-Mixed	15,190.8	2.8	18,857.5	3.3
Income-Bond	13,465.1	2.4	15,913.2	2.8
U.S. Government Income	81,400.7	14.7	75,613.1	13.2
Ginnie Mae	28,209.3	5.1	28,993.6	5.1
Global Bond	3,063.2	0.6	14,638.1	2.6
Corporate Bond	11,676.6	2.1	12,284.2	2.2
High-yield Bond	28,492.4	5.1	18,868.0	3.3
Long-term Municipal Bond	64,450.6	11.6	70,739.1	12.4
State Municipal Bond—Long-term	41,206.4	7.4	49,509.7	8.7

R=Revised

Liquid Assets of Equity, Bond, and Income Funds by Fund Characteristics
Yearend
(millions of dollars)

	1989		1990	
	Dollars	**Percent**	**Dollars**	**Percent**
Net Cash & Equivalent	**$44,778.1R**	**100.0%**	**$48,638.2**	**100.0%**
Method of Sales				
Sales Force	$28,318.9	63.2%	$30,895.0	63.6%
Direct Marketing	13,793.5	30.8	14,605.7	30.0
Variable Annuity	2,619.8R	5.9	3,035.1	6.2
Not Offering Shares	45.9	0.1	102.4	0.2
Investment Objective				
Aggressive Growth	$4,277.5	9.5%	$4,110.7	8.5%
Growth	7,332.9	16.4	8,541.0	17.6
Growth & Income	10,151.4R	22.7	9,887.6	20.2
Precious Metals	161.7	0.4	338.3	0.7
International	940.4	2.1	1,694.2	3.5
Global Equity	748.8	1.7	1,523.9	3.1
Income-Equity	2,022.2	4.5	1,934.8	4.0
Option/Income	237.4	0.5	163.6	0.3
Flexible Portfolio	1,106.2	2.5	946.2	1.9
Balanced	1,170.5	2.6	1,051.1	2.2
Income-Mixed	3,372.7	7.5	2,310.9	4.8
Income-Bond	1,817.1	4.1	1,896.6	3.9
U.S. Government Income	4,183.7	9.3	400.1	0.8
Ginnie Mae	576.8	1.3	981.0	2.0
Global Bond	452.4	1.0	5,407.1	11.1
Corporate Bond	1,002.9	2.2	568.0	1.2
High-yield Bond	1,965.2	4.4	2,188.0	4.5
Long-term Municipal Bond	2,278.3	5.1	3,334.9	6.9
State Municipal Bond—Long-term	980.0	2.2	1,360.2	2.8

R=Revised

Total Net Assets of Mutual Funds by Investment Objective Within Method of Sales 1987-1990

(millions of dollars)

Sales Force

	1987	1988	1989	1990
Aggressive Growth	$10,088.6	$9,867.4	$10,766.9	$10,464.2
Growth	30,940.1	30,501.1	37,767.2	36,415.3
Growth & Income	38,985.8	43,293.6	55,884.3	55,523.2
Precious Metals	2,415.7	1,983.8	2,346.2	1,723.3
International	2,608.0	2,761.7	4,528.8	7,874.4
Global Equity	10,248.3	10,940.7	13,352.0	12,895.4
Income-Equity	6,321.7	7,388.3	10,035.3	10,377.7
Option/Income	4,863.3	5,255.3	3,777.0	2,159.2
Flexible Portfolio	3,720.9	2,840.9	2,922.2	2,904.5
Balanced	6,136.0	5,934.5	7,192.6	6,842.2
Income-Mixed	9,179.0	6,651.3	12,480.3	15,341.9
Income-Bond	8,633.2	7,389.3	9,326.3	9,338.7
U.S. Government Income	86,069.3	79,729.9	73,971.5	67,193.7
Ginnie Mae	27,490.3	22,310.5	21,735.0	21,880.2
Global Bond	1,589.2	2,480.8	2,604.8	13,213.0
Corporate Bond	8,055.6	7,078.5	7,323.5	7,433.0
High-yield Bond	19,922.6	28,005.7	24,457.5	16,157.3
Long-term Municipal Bond	32,782.7	37,020.5	44,229.2	48,096.7
State Municipal Bond—Long-term	21,702.5	24,750.2	31,316.3	37,172.2
Total	**$331,752.8**	**$336,184.0**	**$376,016.9**	**$383,006.1**

Direct Marketing

	1987	1988	1989	1990
Aggressive Growth	$16,527.7	$18,948.4	$24,934.4	$23,872.4
Growth	12,604.1	15,322.9	20,490.3	23,239.5
Growth & Income	19,810.6	21,974.3	28,618.2	25,160.0
Precious Metals	1,632.3	1,184.0	1,738.8	1,385.3
International	4,355.5	4,044.0	5,274.3	6,204.7
Global Equity	190.3	199.1	275.9	437.8
Income-Equity	8,393.3	10,058.5	12,687.9	11,520.1
Option/Income	226.2	27.0	27.3	0.6
Flexible Portfolio	370.4	370.6	824.1	1,526.5
Balanced	2,780.2	3,498.6	4,698.8	5,391.1
Income-Mixed	2,044.3	1,996.5	2,587.1	2,850.1
Income-Bond	3,051.4	2,351.8	2,872.1	5,062.3
U.S. Government Income	2,242.6	2,419.6	6,459.6	7,378.1
Ginnie Mae	6,044.3	5,762.2	5,840.6	6,425.1
Global Bond	547.9	542.1	451.0	1,397.0
Corporate Bond	951.0	2,703.3	3,736.7	4,196.6
High-yield Bond	3,242.2	4,369.3	3,141.2	2,142.1
Long-term Municipal Bond	16,392.0	17,295.8	20,221.4	22,642.4
State Municipal Bond—Long-term	6,089.2	7,660.6	9,890.1	12,337.5
Total	**$107,496.1**	**$120,728.6**	**$154,769.8**	**$163,169.2**

Distribution of Mutual Fund Assets in Equity, Bond, and Income Funds Yearend, 1975-1990

Year	Total Net Assets	Net Cash & Equivalent	Corporate Bonds	Preferred Stocks	Common Stocks	Municipal Bonds	Long-term U.S. Gov't	Other
Millions of dollars								
1975	$42,179	$3,209	$4,766	$506	$33,158	N/A	N/A	$540
1976	47,582	2,352	6,977	655	37,158	N/A	N/A	440
1977	45,049	3,274	6,475	418	30,746	$2,256	$1,295	585
1978	44,980	4,507	5,545	405	30,678	2,550	1,093	202
1979	48,980	4,995	5,582	443	34,334	2,651	798	177
1980	58,400	5,321	6,582	531	41,561	2,866	1,433	106
1981	55,207	5,277	7,489	399	36,649	3,046	2,147	200
1982	76,841	6,040	10,833	1,628	47,720	6,797	3,752	71
1983	113,599	8,343	13,052	1,474	72,942	13,368	3,894	526
1984	137,126	11,978	15,018	1,627	81,597	18,522	8,009	375
1985	251,695	20,607	24,961	3,773	119,698	38,339	43,471	846
1986	424,156	30,716	47,310	7,387	153,657	70,875	111,536	2,675
1987	453,642	38,006	41,661	5,566	176,372	68,578	119,854	3,805
1988	472,297	45,090	54,441	5,678	173,684	86,136	103,750	3,518
1989	553,866	44,780	52,945	4,582	241,307	85,017	118,108	7,127
1990	570,744	48,638	44,379	3,133	217,196	119,562	128,960	8,876
Percent								
1975	100.0%	7.6%	11.3%	1.2%	78.6%	N/A	N/A	1.3%
1976	100.0	4.9	14.7	1.4	78.1	N/A	N/A	0.9
1977	100.0	7.3	14.4	0.9	68.2	5.0%	2.9%	1.3
1978	100.0	10.0	12.3	0.9	68.2	5.7	2.4	0.5
1979	100.0	10.2	11.4	0.9	70.1	5.4	1.6	0.4
1980	100.0	9.1	11.3	0.9	71.2	4.9	2.4	0.2
1981	100.0	9.5	13.6	0.7	66.4	5.5	3.9	0.4
1982	100.0	7.9	14.1	2.1	62.1	8.8	4.9	0.1
1983	100.0	7.3	11.5	1.3	64.2	11.8	3.4	0.5
1984	100.0	8.7	11.0	1.2	59.5	13.5	5.8	0.3
1985	100.0	8.2	9.9	1.5	47.6	15.2	17.3	0.3
1986	100.0	7.3	11.2	1.7	36.2	16.7	26.3	0.6
1987	100.0	8.4	9.2	1.2	38.9	15.1	26.4	0.8
1988	100.0	9.5	11.5	1.2	36.8	18.2	22.0	0.8
1989	100.0	8.1	9.6	0.8	43.6	15.3	21.3	1.3
1990	100.0	8.5	7.8	0.5	38.1	20.9	22.6	1.6

An Overview: Sales, Redemptions, and Net Sales of Equity, Bond, and Income Funds 1970-1990

(millions of dollars)

Year	Sales	Redemptions	Net Sales
1970	$4,625.8	$2,987.6	$1,638.2
1971	5,147.2	4,750.2	397.0
1972	4,892.5	6,562.9	(1,670.4)
1973	4,359.3	5,651.1	(1,291.8)
1974	3,091.5	3,380.9	(289.4)
1975	3,307.2	3,686.3	(379.1)
1976	4,360.5	6,801.2	(2,440.7)
1977	6,399.6	6,026.0	373.6
1978	6,705.3	7,232.4	(527.1)
1979	6,826.1	8,005.0	(1,178.9)
1980	9,993.7	8,200.0	1,793.7
1981	9,710.4	7,470.4	2,240.0
1982	15,738.3	7,571.8	8,166.5
1983	40,325.1	14,677.6	25,647.5
1984	45,856.8	20,030.1	25,826.7
1985	114,313.5	33,763.3	80,550.2
1986	215,847.9	67,012.7	148,835.2
1987	190,628.0	116,224.3	74,403.7
1988	95,292.9	92,474.1	2,818.8
1989	125,711.0R	91,655.5R	34,055.5R
1990	149,512.5	98,250.9	51,261.6

R=Revised

Comparable data for short-term funds can be found on page 98.

Sales of Equity, Bond, and Income Funds by Fund Characteristics

(millions of dollars)

	1989		1990	
	Dollars	Percent	Dollars	Percent
Total Sales	**$125,711.0R**	**100.0%**	**$149,512.5**	**100.0%**
Type of Sales				
Regular Single Payment	$104,626.1R	83.3%	$127,594.9	85.3%
Contractual Accumulation Plan	307.9	0.2	679.9	0.5
Contractual Single Payment	133.4	0.1	41.3	0.0
Reinvested Investment Income	20,643.6	16.4	21,196.4	14.2
Method of Sales				
Sales Force	$79,771.7R	63.5%	$90,207.2	60.3%
Direct Marketing	40,969.5	32.6	51,824.1	34.7
Variable Annuity	4,940.6R	3.9	7,450.4	5.0
Not Offering Shares	29.2	0.0	30.8	0.0
Investment Objective				
Aggressive Growth	$8,577.8	6.8%	$9,372.3	6.3%
Growth	12,432.6	9.9	17,631.3	11.8
Growth & Income	21,942.0R	17.4	25,602.4	17.1
Precious Metals	998.9	0.8	1,175.6	0.8
International	2,456.7	2.0	7,865.2	5.3
Global Equity	2,224.0	1.8	3,323.5	2.2
Income-Equity	5,380.7	4.3	5,974.8	4.0
Option/Income	448.8	0.4	251.3	0.2
Flexible Portfolio	1,194.8	0.9	1,389.4	0.9
Balanced	2,090.8	1.7	3,058.0	2.0
Income-Mixed	7,251.3	5.8	5,709.0	3.8
Income-Bond	4,457.4	3.5	7,288.0	4.9
U.S. Government Income	11,797.1	9.4	12,067.9	8.1
Ginnie Mae	3,771.0	3.0	5,560.9	3.7
Global Bond	893.9	0.7	6,702.6	4.5
Corporate Bond	3,179.4	2.5	2,916.7	1.9
High-yield Bond	9,866.8	7.8	5,147.2	3.4
Long-term Municipal Bond	15,470.0	12.3	15,507.2	10.4
State Municipal Bond—Long-term	11,277.0	9.0	12,969.2	8.7

R=Revised

Sales of Mutual Funds by Investment Objective Within Method of Sales 1987-1990

(millions of dollars)

Sales Force	1987	1988	1989	1990
Aggressive Growth	$4,077.6	$1,576.9	$3,105.4	$2,223.3
Growth	10,508.8	4,781.4	5,894.8	7,737.8
Growth & Income	12,856.3	5,406.5	10,957.5	12,954.8
Precious Metals	1,277.5	345.2	325.7	295.0
International	1,988.8	571.8	1,365.3	5,126.1
Global Equity	3,076.4	1,291.0	2,098.2	2,914.9
Income-Equity	3,175.3	1,671.1	2,266.9	2,803.2
Option/Income	1,710.3	710.0	447.4	251.3
Flexible Portfolio	2,610.9	784.3	784.6	658.7
Balanced	2,132.8	744.0	934.9	1,195.8
Income-Mixed	4,723.4	1,996.9	6,525.2	4,727.4
Income-Bond	3,767.7	2,395.9	3,176.7	5,277.1
U.S. Government Income	42,050.7	15,321.1	9,924.4	9,608.2
Ginnie Mae	9,710.8	3,198.7	2,669.4	4,046.9
Global Bond	775.3	1,201.7	735.2	5,558.8
Corporate Bond	2,875.6	1,307.9	1,868.2	1,388.0
High-yield Bond	7,012.8	7,508.6	7,781.3	4,179.7
Long-term Municipal Bond	10,371.1	8,696.2	10,941.1	10,212.9
State Municipal Bond—Long-term	7,313.3	5,516.6	7,969.2	9,047.3
Total	**$132,015.4**	**$65,025.8**	**$79,771.6**	**$90,207.2**

Direct Marketing

	1987	1988	1989	1990
Aggressive Growth	$7,309.4	$2,558.5	$5,003.8	$6,439.2
Growth	5,723.8	2,675.5	4,947.3	7,381.6
Growth & Income	8,473.5	4,482.1	9,897.6	11,111.3
Precious Metals	1,900.5	845.9	671.9	865.1
International	2,192.6	636.8	1,058.5	2,502.2
Global Equity	50.3	40.9	95.0	314.0
Income-Equity	3,584.2	1,414.6	3,003.8	2,985.0
Option/Income	300.5	156.2	0.1	0.0
Flexible Portfolio	232.4	156.2	274.1	328.0
Balanced	1,061.2	533.8	1,032.8	1,539.6
Income-Mixed	1,112.1	684.6	671.1	876.8
Income-Bond	1,387.7	1,007.1	880.6	1,612.9
U.S. Government Income	1,702.4	1,113.8	1,627.0	2,097.4
Ginnie Mae	3,301.7	1,220.7	982.5	1,313.4
Global Bond	343.4	306.5	154.9	1,123.7
Corporate Bond	579.7	759.9	1,069.5	1,385.1
High-yield Bond	2,610.1	2,047.9	1,762.4	732.7
Long-term Municipal Bond	7,620.0	3,930.0	4,528.9	5,294.3
State Municipal Bond—Long-term	3,605.5	2,608.9	3,307.9	3,921.9
Total	**$53,091.0**	**$27,179.9**	**$40,969.5**	**$51,824.2**

Sales and Reinvested Dividends by Fund Characteristics 1989-1990

(millions of dollars)

1989	Total Sales	Total Reinvested Dividends	Sales Less Reinvested Dividends
Total	**$125,711.0R**	**$20,643.6R**	**$105,067.4R**
Method of Sales			
Sales Force	$79,771.7R	$13,716.9R	$66,054.8
Direct Marketing	40,969.5	6,362.0	34,607.5
Variable Annuity	4,940.6R	551.1	4,389.5R
Not Offering Shares	29.2	13.6	15.6
Investment Objective			
Aggressive Growth	$8,577.8	$618.8	$7,959.0
Growth	12,432.6	1,300.3	11,132.3
Growth & Income	21,942.0R	3,762.2R	18,179.8R
Precious Metals	998.9	94.0	904.9
International	2,456.7	97.7	2,359.0
Global-Equity	2,224.0	337.6	1,886.4
Income-Equity	5,380.7	911.3	4,469.4
Option/Income	448.8	243.9	204.9
Flexible Portfolio	1,194.8	153.0	1,041.8
Balanced	2,090.8	486.6	1,604.2
Income-Mixed	7,251.3	554.8	6,696.5
Income-Bond	4,457.4	758.9	3,698.5
U.S. Government Income	11,797.1	3,378.9	8,418.2
Ginnie Mae	3,771.0	1,216.2	2,554.8
Global Bond	893.9	153.7	740.2
Corporate Bond	3,179.4	664.1	2,515.3
High-yield Bond	9,866.8	2,260.1	7,606.7
Long-term Municipal Bond	15,470.0	2,420.4	13,049.6
State Municipal Bond—Long-term	11,277.0	1,231.1	10,045.9
1990			
Total	**$149,512.5**	**$21,196.4**	**$128,316.1**
Sales Force	$90,207.2	$14,170.4	$76,036.8
Direct Marketing	51,824.1	6,089.4	45,734.7
Variable Annuity	7,450.4	929.2	6,521.2
Not Offering Shares	30.8	7.4	23.4
Investment Objective			
Aggressive Growth	$9,372.3	$587.7	$8,784.6
Growth	17,631.3	1,701.8	15,929.5
Growth & Income	25,602.4	3,153.2	22,449.2
Precious Metals	1,175.6	51.0	1,124.6
International	7,865.2	171.1	7,694.1
Global-Equity	3,323.5	145.5	3,178.0
Income-Equity	5,974.8	1,054.2	4,920.6
Option/Income	251.3	162.6	88.7
Flexible Portfolio	1,389.4	286.0	1,103.4
Balanced	3,038.0	598.0	2,460.0
Income-Mixed	5,709.0	804.6	4,904.4
Income-Bond	7,288.0	878.3	6,409.7
U.S. Government Income	12,067.9	3,255.6	8,812.3
Ginnie Mae	5,560.9	1,254.3	4,306.6
Global Bond	6,702.6	268.6	6,434.0
Corporate Bond	2,916.7	729.5	2,187.2
High-yield Bond	5,147.2	1,806.9	3,340.3
Long-term Municipal Bond	15,507.2	2,732.8	12,774.4
State Municipal Bond—Long-term	12,969.2	1,554.7	11,414.5

R=Revised

Equity, Bond, and Income Funds' Distributions to Shareholders

(millions of dollars)

Year	Distributions from Net Investment Income	Distributions from Net Realized Capital Gains
1970	$1,414.1	$922.1
1971	1,330.7	775.5
1972	1,286.6	1,402.6
1973	1,300.2	943.3
1974	1,553.2	484.3
1975	1,449.1	219.2
1976	1,580.0	470.9
1977	1,789.7	634.8
1978	2,116.0	710.6
1979	2,451.4	929.9
1980	2,669.0	1,774.2
1981	3,143.0	2,697.2
1982	3,832.9	2,350.1
1983	4,981.0	4,391.6
1984	7,238.4	6,019.2
1985	12,864.2	4,984.6
1986	22,273.4	17,463.8
1987	31,823.7	22,975.6
1988	31,978.3R	6,345.3R
1989	34,096.1	14,802.8
1990	32,917.7	8,054.6

R=Revised

Annual Redemption Rate for Equity, Bond, and Income Funds 1970-1990

(millions of dollars)

Year	Average Total Net Assets	Redemptions	Redemption Rate
1970	$47,954	$2,988	6.2%
1971	51,332	4,750	9.3
1972	57,438	6,563	11.4
1973	53,175	5,651	10.6
1974	40,290	3,381	8.4
1975	38,120	3,686	9.7
1976	44,880	6,801	15.2
1977	46,316	6,026	13.0
1978	45,014	7,232	16.4
1979	46,980	8,005	17.0
1980	53,690	8,200	15.3
1981	56,803	7,470	13.2
1982	66,024	7,572	11.5
1983	95,220	14,678	15.4
1984	125,362	20,030	16.0
1985	194,411	33,763	17.4
1986	337,926	67,013	19.8
1987	438,999	116,224	26.5
1988	463,070	92,474	20.0
1989	513,079R	91,656	17.9R
1990	562,303	98,251	17.5

R=Revised

Note: *"Average Total Net Assets" are an average of values at the beginning of the year and at the end of the year. The redemption rate is the dollar redemption volume as a percent of average assets.*

Redemptions of Equity, Bond, and Income Funds by Fund Characteristics

(millions of dollars)

	1989		1990	
	Dollars	Percent	Dollars	Percent
Redemptions	**$91,655.5R**	**100.0%**	**$98,250.9**	**100.0%**
Type of Redemption				
Regular Account	$91,302.3R	99.6%	$98,034.9	99.8%
Contractual Account	353.2	0.4	216.0	0.2
Method of Sales				
Sales Force	$63,066.3R	68.8%	$63,187.6	64.3%
Direct Marketing	24,203.1	26.4	30,472.9	31.0
Variable Annuity	4,218.3R	4.6	4,406.0	4.5
Not Offering Shares	167.8	0.2	184.4	0.2
Investment Objective				
Aggressive Growth	$5,652.8	6.2%	$6,400.5	6.5%
Growth	11,263.8	12.3	11,640.5	11.8
Growth & Income	13,916.9R	15.2	18,071.6	18.4
Precious Metals	986.5	1.1	1,142.0	1.2
International	1,210.6	1.3	2,534.4	2.6
Global Equity	1,684.0	1.8	1,520.4	1.5
Income-Equity	2,584.8	2.8	3,466.7	3.5
Option/Income	1,000.4	1.1	704.8	0.7
Flexible Portfolio	859.3	0.9	936.1	1.0
Balanced	1,557.0	1.7	1,668.7	1.7
Income-Mixed	2,406.1	2.6	3,026.2	3.1
Income-Bond	2,413.3	2.6	3,204.3	3.3
U.S. Government Income	17,410.3R	19.1	15,859.3	16.1
Ginnie Mae	5,479.8	6.0	4,468.4	4.5
Global Bond	767.7	0.8	1,100.3	1.1
Corporate Bond	2,000.3	2.2	2,015.1	2.1
High-yield Bond	8,133.5	8.9	6,633.5	6.8
Long-term Municipal Bond	8,080.4	8.8	8,720.3	8.9
State Municipal Bond—Long-term	4,248.0	4.6	5,137.8	5.2

Redemptions of Mutual Funds by Investment Objective Within Method of Sales
1987-1990
(millions of dollars)

Sales Force

Investment Objective	1987	1988	1989	1990
Aggressive Growth	$2,621.8	$2,303.5	$2,326.0	$2,027.3
Growth	6,037.9	5,934.9	5,910.0	6,120.4
Growth & Income	6,211.9	6,333.6	7,352.5	7,783.6
Precious Metals	562.7	346.6	406.2	344.5
International	1,203.2	819.7	619.2	1,320.0
Global Equity	1,965.4	1,797.7	1,614.0	1,348.7
Income-Equity	1,701.4	1,256.1	1,334.2	1,638.3
Option/Income	1,271.4	1,324.3	995.0	704.7
Flexible Portfolio	417.0	869.1	687.9	634.4
Balanced	777.1	1,277.1	1,109.6	1,077.4
Income-Mixed	4,093.9	2,759.8	2,012.4	2,633.6
Income-Bond	2,083.5	1,961.8	1,763.5	2,341.5
U.S. Government Income	26,124.7	19,955.0	16,085.6	14,399.7
Ginnie Mae	10,545.0	5,866.7	4,331.8	3,546.9
Global Bond	420.5	556.4	604.5	906.2
Corporate Bond	1,756.6	1,255.7	1,101.7	1,130.5
High-yield Bond	3,995.1	4,063.3	6,465.4	5,553.9
Long-term Municipal Bond	6,189.1	5,646.6	5,490.3	6,139.6
State Municipal Bond—Long-term	3,550.2	2,996.5	2,856.4	3,536.4
Total	**$81,528.4**	**$67,324.4**	**$63,066.2**	**$63,187.6**

Direct Marketing

Investment Objective	1987	1988	1989	1990
Aggressive Growth	$4,252.2	$2,531.9	$2,937.0	$3,856.7
Growth	3,919.3	2,812.4	3,821.6	4,024.5
Growth & Income	4,149.2	3,274.3	5,594.5	9,283.5
Precious Metals	1,275.8	868.3	580.0	786.8
International	1,836.7	980.6	578.0	1,138.9
Global Equity	21.3	49.7	64.5	144.1
Income-Equity	1,033.3	1,122.7	1,211.2	1,735.8
Option/Income	199.8	155.9	0.1	0.1
Flexible Portfolio	47.4	102.3	124.0	175.0
Balanced	325.9	360.3	424.0	517.6
Income-Mixed	684.4	581.5	356.5	319.1
Income-Bond	936.5	604.0	494.9	714.4
U.S. Government Income	1,117.8	758.8	1,143.0	1,214.0
Ginnie Mae	2,284.2	1,106.3	917.3	748.4
Global Bond	68.3	174.6	162.3	189.7
Corporate Bond	286.8	479.2	565.5	731.2
High-yield Bond	1,575.2	1,107.4	1,247.0	711.0
Long-term Municipal Bond	5,499.7	2,730.3	2,590.1	2,580.7
State Municipal Bond—Long-term	2,183.0	1,293.4	1,391.6	1,601.4
Total	**$31,696.8**	**$21,093.9**	**$24,203.1**	**$30,472.9**

Sales of Equity, Bond, and Income Fund Shares by State and Geographical Regions Within Method of Sales 1990

(thousands of dollars)

	Sales Force	Direct Marketing	Total
New England	**$5,619,909**	**$5,052,850**	**$10,672,759**
Connecticut	1,542,543	1,176,407	2,718,950
Maine	279,642	181,384	461,026
Massachusetts	2,967,817	3,233,824	6,201,641
New Hampshire	405,933	248,756	654,689
Rhode Island	252,580	129,560	382,140
Vermont	171,394	82,919	254,313
Middle Atlantic	**$19,737,335**	**$10,188,618**	**$29,925,953**
New Jersey	5,195,935	2,534,198	7,730,133
New York	9,625,108	5,643,645	15,268,753
Pennsylvania	4,916,292	2,010,775	6,927,067
East North Central	**$14,117,427**	**$6,555,749**	**$20,673,176**
Illinois	3,942,055	2,031,505	5,973,560
Indiana	1,253,880	450,870	1,704,750
Michigan	3,112,148	1,124,583	4,236,731
Ohio	4,041,283	2,259,531	6,300,814
Wisconsin	1,768,061	689,260	2,457,321
West North Central	**$8,109,627**	**$2,508,286**	**$10,617,913**
Iowa	1,127,590	212,479	1,340,069
Kansas	911,093	513,059	1,424,152
Minnesota	2,769,361	715,172	3,484,533
Missouri	1,957,496	808,456	2,765,952
Nebraska	856,968	165,837	1,022,805
North Dakota	234,539	51,824	286,363
South Dakota	252,580	41,459	294,039
South Atlantic	**$11,916,371**	**$8,836,009**	**$20,752,380**
Delaware	315,725	212,479	528,204
District Of Columbia	342,787	310,944	653,731
Florida	5,286,142	2,606,752	7,892,894
Georgia	1,208,777	1,020,935	2,229,712
Maryland	1,181,714	2,549,746	3,731,460
North Carolina	1,226,818	829,186	2,056,004
South Carolina	532,223	228,026	760,249
Virginia	1,578,626	989,840	2,568,466
West Virginia	243,559	88,101	331,660

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States	Sales Force	Direct Marketing	Total
East South Central	**$2,552,864**	**$1,160,860**	**$3,713,724**
Alabama	622,430	305,762	928,192
Kentucky	649,492	269,485	918,977
Mississippi	351,808	171,020	522,828
Tennessee	929,134	414,593	1,343,727
West South Central	**$6,098,007**	**$3,720,970**	**$9,818,977**
Arkansas	460,057	404,228	864,285
Louisana	802,844	295,397	1,098,241
Oklahoma	730,678	274,668	1,005,346
Texas	4,104,428	2,746,677	6,851,105
Mountain	**$5,574,805**	**$2,777,772**	**$8,352,577**
Arizona	1,425,274	694,443	2,119,717
Colorado	2,237,138	1,109,036	3,346,174
Idaho	252,580	82,919	335,499
Montana	288,663	57,006	345,669
Nevada	333,767	186,567	520,334
New Mexico	378,870	393,863	772,733
Utah	496,140	202,114	698,254
Wyoming	162,373	51,824	214,197
Pacific	**$15,921,571**	**$10,655,035**	**$26,576,606**
Alaska	144,331	77,736	222,067
California	12,674,112	8,488,788	21,162,900
Hawaii	225,518	305,762	531,280
Oregon	902,072	642,619	1,544,691
Washington	1,975,538	1,140,130	3,115,668
U.S. Territories & Possessions	**$117,269**	**$57,007**	**$174,276**
Canada	**$18,041**	**$10,365**	**$28,406**
Other	**$423,974**	**$300,580**	**$724,554**
Total	**$90,207,200**	**$51,824,101**	**$142,031,301**

Sales of Equity, Bond, and Income Fund Shares by State and Geographical Regions Within Method of Sales 1990

(percent of total)

	Sales Force	Direct Marketing	Total
New England	**6.23%**	**9.75%**	**7.53%**
Connecticut	1.71	2.27	1.91
Maine	.31	.35	.33
Massachusetts	3.29	6.24	4.38
New Hampshire	.45	.48	.46
Rhode Island	.28	.25	.27
Vermont	.19	.16	.18
Middle Atlantic	**21.88%**	**19.66%**	**21.07%**
New Jersey	5.76	4.89	5.46
New York	10.67	10.89	10.72
Pennsylvania	5.45	3.88	4.89
East North Central	**15.65%**	**12.65%**	**14.56%**
Illinois	4.37	3.92	4.20
Indiana	1.39	.87	1.20
Michigan	3.45	2.17	2.98
Ohio	4.48	4.36	4.45
Wisconsin	1.96	1.33	1.73
West North Central	**8.99%**	**4.84%**	**7.47%**
Iowa	1.25	.41	.94
Kansas	1.01	.99	1.00
Minnesota	3.07	1.38	2.45
Missouri	2.17	1.56	1.95
Nebraska	.95	.32	.72
North Dakota	.26	.10	.20
South Dakota	.28	.08	.21
South Atlantic	**13.21%**	**17.05%**	**14.63%**
Delaware	.35	.41	.37
District of Columbia	.38	.60	.46
Florida	5.86	5.03	5.56
Georgia	1.34	1.97	1.57
Maryland	1.31	4.92	2.64
North Carolina	1.36	1.60	1.45
South Carolina	.59	.44	.54
Virginia	1.75	1.91	1.81
West Virginia	.27	.17	.23

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	Sales Force	Direct Marketing	Total
East South Central	**2.83%**	**2.24%**	**2.61%**
Alabama	.69	.59	.65
Kentucky	.72	.52	.64
Mississippi	.39	.33	.37
Tennessee	1.03	.80	.95
West South Central	**6.76%**	**7.18%**	**6.91%**
Arkansas	.51	.78	.62
Louisiana	.89	.57	.77
Oklahoma	.81	.53	.70
Texas	4.55	5.30	4.82
Mountain	**6.18%**	**5.36%**	**5.87%**
Arizona	1.58	1.34	1.49
Colorado	2.48	2.14	2.35
Idaho	.28	.16	.24
Montana	.32	.11	.24
Nevada	.37	.36	.37
New Mexico	42	.76	.54
Utah	.55	.39	.49
Wyoming	.18	.10	.15
Pacific	**17.65%**	**20.56%**	**18.70%**
Alaska	.16	.15	.15
California	14.05	16.38	14.89
Hawaii	.25	.59	.37
Oregon	1.00	1.24	1.09
Washington	2.19	2.20	2.20
U.S. Territories & Possessions	**.13%**	**.11%**	**.12%**
Canada	**.02%**	**.02%**	**.02%**
Other Countries	**.47%**	**.58%**	**.51%**
Total	**100.00%**	**100.00%**	**100.00%**

Total Purchases, Total Sales, and Net Purchases of Portfolio Securities by Mutual Funds 1970-1990

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$20,405.0	$18,588.5	$1,816.5
1971	25,360.2	24,793.8	566.4
1972	24,467.6	25,823.6	(1,356.0)
1973	19,706.6	21,903.0	(2,196.4)
1974	12,299.7	12,213.5	86.2
1975	15,396.9	15,511.4	(114.5)
1976	15,348.2	16,881.2	(1,533.0)
1977	18,168.0	19,420.7	(1,252.7)
1978	20,945.6	23,069.7	(2,124.1)
1979	22,412.1	23,702.5	(1,290.4)
1980	32,987.2	32,080.6	906.6
1981	36,161.7	33,709.2	2,452.5
1982	55,682.0	47,920.7	7,761.3
1983	93,009.5	71,466.5	21,543.0
1984	119,272.4	98,929.6	20,342.8
1985	259,578.5	186,974.6	72,603.9
1986	501,058.5	365,167.6	135,890.9
1987	531,075.8	485,640.1	45,435.7
1988	410,714.2	421,449.7	(10,735.5)
1989	472,218.6R	445,730.4R	26,488.2R
1990	555,699.8	506,547.9	49,151.9

Note: *Parentheses indicate net portfolio sales.*

R=Revised

Total Purchases, Total Sales, and Net Purchases of Common Stocks by Mutual Funds 1970-1990

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$17,127.6	$15,900.8	$1,226.8
1971	21,557.7	21,175.1	382.6
1972	20,943.5	22,552.8	(1,609.3)
1973	15,560.7	17,504.4	(1,943.7)
1974	9,085.3	9,372.1	(286.8)
1975	10,948.7	11,902.3	(953.6)
1976	10,729.1	13,278.3	(2,549.2)
1977	8,704.7	12,211.3	(3,506.6)
1978	12,832.9	14,454.7	(1,621.8)
1979	13,089.0	15,923.0	(2,834.0)
1980	19,893.8	21,799.9	(1,906.1)
1981	20,859.7	21,278.3	(418.6)
1982	27,397.2	24,939.6	2,457.6
1983	54,581.7	40,813.9	13,767.8
1984	56,587.9	50,895.0	5,692.9
1985	80,783.1	72,577.3	8,205.8
1986	134,711.0	118,091.9	16,619.1
1987	199,042.0	176,084.9	22,957.1
1988	112,831.8	128,896.2	(16,064.4)
1989	142,965.5R	141,748.3R	1,217.2R
1990	166,757.0	146,743.9	20,013.1

Note: *Parentheses indicate net portfolio sales.*

R=Revised

Total Purchases, Total Sales, and Net Purchases of Securities Other Than Common Stocks by Mutual Funds 1970-1990

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$3,277.4	$2,687.7	$589.7
1971	3,802.5	3,618.6	183.9
1972	3,524.1	3,270.9	253.2
1973	4,145.9	4,398.7	(252.8)
1974	3,214.4	2,841.4	373.0
1975	4,448.2	3,609.1	839.1
1976	4,619.1	3,602.9	1,016.2
1977	9,463.3	7,209.4	2,253.9
1978	8,112.7	8,615.0	(502.3)
1979	9,323.1	7,779.5	1,543.6
1980	13,093.4	10,280.7	2,812.7
1981	15,302.0	12,430.9	2,871.1
1982	28,284.8	22,981.1	5,303.7
1983	38,427.7	30,652.6	7,775.1
1984	62,684.6	48,034.6	14,650.0
1985	178,795.3	114,397.3	64,398.0
1986	366,347.5	247,075.7	119,271.8
1987	332,033.8	309,555.2	22,478.6
1988	297,882.5	292,553.5	5,329.0
1989	329,253.2R	303,982.1R	25,271.1R
1990	388,942.9	359,804.0	29,138.9

Note: *Parentheses indicate net portfolio sales.*

R=Revised

Portfolio Purchases and Sales by Fund Characteristics

(millions of dollars)

	1989		1990	
	Purchases	**Sales**	**Purchases**	**Sales**
All Securities	**$472,218.6R**	**$445,730.4R**	**$555,699.8**	**$506,547.9**
Sales Force	$328,809.3	$312,119.5	$396,382.6	$367,807.2
Direct Marketing	129,277.3	120,369.9	142,735.7	124,869.8
Not Offering Shares	306.4	366.2	214.7	263.5
Variable Annuity	13,825.6R	12,874.8R	16,366.8	13,607.4
Investment Objective				
Aggressive Growth	$35,644.6	$36,108.7	$58,490.1	$56,923.1
Growth	45,185.3	46,424.1	53,606.9	48,966.3
Growth & Income	39,448.1R	36,982.6R	42,631.0	35,625.8
Precious Metals	1,456.5	1,419.6	1,545.7	1,706.7
International	5,750.1	5,274.1	10,394.6	6,920.5
Global Equity	5,625.5	4,943.7	6,567.1	5,498.5
Income-Equity	15,435.4	13,809.9	17,238.6	15,944.1
Option/Income	5,153.7	5,874.6	3,905.4	4,680.9
Flexible Portfolio	3,997.2	3,945.8	6,013.7	5,044.2
Balanced	9,443.6	9,396.7	11,016.1	9,788.8
Income-Mixed	8,399.2	5,693.7	13,101.7	8,507.8
Income-Bond	13,395.8	11,111.4	16,641.2	13,760.9
U.S. Government Income	138,803.9	138,782.2	185,625.8	180,396.3
Ginnie Mae	35,009.2	35,171.2	24,788.2	21,700.0
Global Bond	6,657.5	6,413.7	12,515.3	9,216.6
Corporate Bond	13,105.6	11,188.8	10,190.5	9,107.9
High-yield Bond	23,278.7	23,692.9	14,984.3	18,952.2
Long-term Municipal Bond	46,221.5	37,167.6	44,257.9	38,925.9
State Municipal Bond—Long-term	20,207.2	12,329.1	22,185.7	14,881.4
Common Stock Only	**$142,965.5R**	**$141,748.3R**	**$166,757.0**	**$146,743.9**
Method of Sales				
Sales Force	$73,667.8	$74,634.7	$81,041.1	$71,579.9
Direct Marketing	61,715.2	60,056.3	77,105.7	68,469.3
Not Offering Shares	282.4	342.5	214.7	258.5
Variable Annuity	7,300.1R	6,714.8R	8,395.5	6,436.2
Investment Objective				
Aggressive Growth	$32,209.9	$32,751.8	$39,376.9	$36,223.1
Growth	44,060.0	45,562.9	51,099.6	46,617.0
Growth & Income	29,811.9R	27,909.2R	31,966.8	25,658.1
Precious Metals	1,372.8	1,361.5	1,494.3	1,660.5
International	5,051.3	4,639.3	9,627.1	6,387.5
Global Equity	5,210.7	4,447.5	5,871.1	4,928.7
Income-Equity	11,325.6	10,385.6	11,870.8	11,278.4
Option/Income	4,514.3	5,353.6	3,827.3	4,417.7
Flexible Portfolio	2,534.2	2,267.8	3,168.9	2,541.8
Balanced	4,202.9	4,406.2	5,687.4	4,814.8
Income-Mixed	1,358.2	1,592.1	1,625.8	1,141.6
Income-Bond	146.2	134.0	373.1	378.1
U.S. Government Income	0.0	0.1	0.0	0.1
Ginnie Mae	0.0	0.0	0.0	0.0
Global Bond	119.0	28.5	359.3	413.4
Corporate Bond	97.1	77.3	69.4	39.8
High-yield Bond	951.4	830.9	335.8	243.3
Long-term Municipal Bond	0.0	0.0	0.0	0.0
State Municipal Bond—Long-term	0.0	0.0	3.4	0.0

R=Revised

Total Short-term Funds*
1980-1990

(millions of dollars)

Yearend	Total Sales	Total Redemptions	Net Sales	Number of Funds	Total Accounts Outstanding	Total Net Assets
1980	$237,427.7	$207,877.7	$29,550.0	106	4,762,103	$76,361.3
1981	462,422.6	354,972.1	107,450.5	179	10,323,466	186,158.2
1982	611,202.9	580,778.4	30,424.5	318	13,258,143	219,837.5
1983	507,447.0	551,151.3	(43,704.3)	373	12,539,688	179,386.5
1984	634,226.7	586,992.4	47,234.3	421R	13,844,697	233,553.8
1985	839,498.8	831,121.2	8,377.6	457R	14,954,726	243,802.4
1986	989,816.0	948,641.3	41,174.7	485R	16,313,148	292,151.6
1987	1,060,949.2	062,519.7	(1,570.5)	541R	17,674,790	316,096.1
1988	1,081,702.0	074,373.5	7,328.5	605R	18,569,817	337,956.5
1989	1,319,492.6	1,235,643.0	83,849.6	664	21,314,228	428,093.2
1990	1,415,711.8	1,372,713.4	42,998.4	743	22,970,493	498,374.9

**Figures are totals for money market and short-term municipal bond funds.*

Comparable data for long-term funds can be found on page 76-82.

R=Revised

An Overview: Money Market Funds 1974-1990

(millions of dollars)

Yearend	Total Sales	Total Redemptions	Net Sales	Number of Funds	Total Accounts Outstanding	Average Maturity (days)	Total Net Assets
1974	$2,232.0	$556.0	$1,676.0	15	N/A	N/A	$1,715.1
1975	6,748.7	5,883.9	864.8	36	208,777	93	3,695.7
1976	9,360.0	9,609.2	(248.3)	48	180,676	110	3,685.8
1977	10,673.0	10,662.7	10.3	50	177,522	76	3,887.7
1978	30,452.2	24,294.5	6,157.7	61	467,803	42	10,858.0
1979	111,855.1	78,363.4	33,491.7	76	2,307,852	34	45,214.2
1980	232,172.8	204,068.5	28,104.3	96	4,745,572	24	74,447.7
1981	451,889.5	346,701.5	105,188.0	159	10,282,095	34	181,910.4
1982	581,758.9	559,581.1	22,177.8	281	13,101,347	37	206,607.5
1983	462,978.7	508,729.9	(45,751.2)	307	12,276,639	37	162,549.5
1984	571,959.3	531,050.9	40,908.4	329	13,556,180	43	209,731.9
1985	730,073.8	732,343.0	(2,269.2)	348	14,435,386	42	207,535.3
1986	792,349.1	776,303.2	16,045.9	360	15,653,595	40	228,345.8
1987	869,099.1	865,668.4	3,430.7	389	16,832,666	31	254,676.4
1988	903,425.9	899,397.3	4,028.6	432	17,630,528	28	272,293.3
1989	1,134,647.8	1,055,142.4	79,505.4	463	20,173,265	38	358,719.2
1990	1,218,936.0	1,153,065.7	35,870.3	508	21,577,559	41	414,733.3

An Overview: Short-term Municipal Bond Funds 1980-1990

(millions of dollars)

Yearend	Total Sales	Total Redemptions	Net Sales	Number of Funds	Total Accounts Outstanding	Total Net Assets
1980	$5,254.9	$3,809.2	$1,445.7	10	16,[illegible]	$1,913.6
1981	10,533.1	8,270.6	2,262.5	20	41,37[illegible]	4,247.8
1982	29,444.0	21,197.3	8,246.7	37	156,796	13,230.0
1983	44,468.3	42,421.4	2,046.9	66	263,049	16,837.0
1984	62,267.4	55,941.5	6,325.9	95R	288,517	23,821.9
1985	109,425.0	98,778.2	10,646.8	111R	499,245	36,267.1
1986						
National	188,017.3	165,329.1	22,688.2	100R	604,055	59,367.5
State	9,449.7	7,009.1	2,440.6	26	55,498	4,438.2
1987						
National	179,215.0	185,031.1	(5,816.1)	111R	731,265	54,555.8
State	12,635.1	11,820.2	814.9	42	110,859	6,863.9
1988						
National	158,085.8	158,120.8	(35.0)	120	744,955	54,541.7
State	20,190.4	16,855.5	3,334.9	54	175,134	11,118.5
1989						
National	152,713.4	151,851.4	862.0	129	875,626	52,824.7
State	32,131.3	28,649.2	3,482.1	72	265,337	16,549.4
1990						
National	155,956.9	153,363.8	2,593.1	135	984,301	59,200.5
State	40,818.9	36,283.9	4,535.0	103	408,633	24,441.1

Money Market Fund Monthly Assets by Type of Fund

(thousands of dollars)

	General Purpose	Broker/Dealer	Institutional	Total
1988				
January	$79,551,417	$113,391,872	$79,432,998	$272,376,287
February	80,263,990	114,354,055	81,415,842	276,033,887
March	81,691,652	116,859,262	76,253,687	274,804,601
April	81,229,804	115,514,145	73,259,559	270,003,508
May	82,778,861	114,272,509	71,115,685	268,167,055
June	80,104,053	113,025,867	68,605,338	261,735,258
July	81,609,417	112,965,502	67,794,611	262,369,530
August	83,790,825	112,426,918	68,314,085	264,531,828
September	82,665,623	111,398,819	67,415,164	261,479,606
October	84,487,624	113,460,580	69,588,728	267,536,932
November	88,751,635	117,223,747	71,364,634	277,340,016
December	88,092,457	114,705,514	69,498,375	272,296,346
1989				
January	$88,663,143	$120,939,092	$73,623,941	$283,226,176
February	93,665,426	126,026,537	72,791,230	292,483,193
March	96,131,566	128,025,937	72,036,129	296,193,632
April	97,851,448	128,078,919	73,981,709	299,912,076
May	100,517,777	131,473,735	78,753,744	310,745,256
June	102,781,265	135,196,916	80,270,244	318,248,425
July	104,359,490	142,664,320	85,543,977	332,567,787
August	108,604,602	147,213,621	83,950,752	339,768,975
September	112,181,954	150,832,403	82,372,854	345,387,211
October	116,376,316	156,567,056	84,263,402	357,206,774
November	118,896,393	158,058,641	88,220,715	365,175,749
December	119,147,339	155,288,054	84,283,790	358,719,183
1990				
January	$124,613,888	$157,215,820	$93,512,605	$375,342,313
February	130,221,467	163,841,331	93,489,916	387,552,714
March	130,486,554	163,818,332	92,151,226	386,456,112
April	130,742,590	160,174,350	92,334,880	383,251,820
May	128,038,393	157,043,958	93,113,962	378,196,313
June	129,859,057	156,251,612	91,499,556	377,610,225
July	133,792,879	159,551,619	96,509,517	389,854,015
August	142,736,592	163,265,891	99,269,096	405,271,579
September	144,906,917	162,362,967	98,034,865	405,304,749
October	147,333,250	163,590,840	102,463,191	413,387,281
November	149,421,776	164,677,522	107,878,952	421,978,250
December	148,672,806	161,184,609	104,875,855	414,733,270

Money Market Fund Asset Composition
Yearend, 1984-1990

(millions of dollars)

	1984	1985	1986	1987	1988	1989	1990
Total Net Assets	**$209,731.9**	**$207,535.3**	**$228,345.8**	**$254,676.4**	**$272,296.3**	**$358,719.2**	**$414,733.3**
U.S. Treasury Bills	20,197.9	20,391.5	20,428.6	4,944.0	5,110.2	7,357.2	25,471.8
Other Treasury Securities	5,214.7	4,271.9	7,602.9	9,358.6	6,448.4	7,430.3	19,987.1
Other U.S. Securities	16,974.3	18,043.1	15,120.3	26,998.9	18,377.0	21,040.4	36,892.2
Repurchase Agreements	22,769.8	26,068.6	32,160.1	39,290.6	41,677.1	54,867.7	58,954.8
Commercial Bank CDs[1]	18,362.5	13,256.3	13,427.2	24,216.9	26,601.3	33,593.4	15,932.6
Other Domestic CDs[2]	5,270.7	3,578.5	5,684.3	9,333.7	6,151.1	7,614.0	5,054.7
Eurodollar CDs[3]	21,213.5	19,027.0	22,168.4	21,611.7	29,694.8	26,378.2	27,070.7
Commercial Paper	78,408.1	87,555.4	94,882.0	100,534.4	117,055.7	179,138.9	200,256.0
Bankers' Acceptances	19,564.2	11,578.3	10,405.7	10,771.2	12,035.8	7,468.3	6,414.7
Cash Reserves	(1,244.5)	154.8	(24.9)	(326.7)	664.6	106.5	11,397.6
Other	3,000.7	3,609.9	6,491.2	7,943.1	8,480.3	13,724.3	7,301.1
Average Maturity[4]	43	42	40	31	28	38	41
Number of Funds	329	348	360	389	432	463	508

[1] Commercial bank CDs are those issued by American banks located in the U.S.

[2] Other domestic CDs include those issued by S&Ls and American branches of foreign banks.

[3] Eurodollar CDs are those issued by foreign branches of domestic banks and some issued by Canadian banks; this category includes some one day paper.

[4] Maturity of each individual security in the portfolio at end of month weighted by its value.

Comparable data for long-term funds can be found on page 81.

Money Market Fund Shareholder Accounts by Type of Fund

	General Purpose	Broker/ Dealer	Institutional	Total
1988				
January	5,250,695	11,526,458	146,355	16,923,508
February	5,320,637	11,518,521	146,957	16,986,115
March	5,385,371	11,673,362	136,511	17,195,244
April	5,416,521	11,897,794	139,925	17,454,240
May	5,401,893	11,644,054	137,431	17,183,378
June	5,376,975	11,595,112	137,679	17,109,766
July	5,278,864	11,334,498	142,242	16,755,604
August	5,253,919	11,470,376	139,194	16,863,489
September	5,328,210	11,530,103	139,198	16,997,511
October	5,267,584	11,725,059	140,364	17,133,007
November	5,611,963	11,997,068	139,237	17,748,268
December	5,576,656	12,076,897	146,544	17,800,097
1989				
January	5,420,375	12,206,763	157,121	17,784,259
February	5,554,163	12,435,730	158,802	18,148,695
March	5,664,798	12,618,837	157,815	18,441,450
April	5,851,485	12,810,267	158,723	18,820,475
May	5,983,266	12,976,244	163,163	19,122,673
June	6,038,793	13,025,903	166,195	19,230,891
July	5,926,177	12,969,068	173,005	19,068,250
August	6,175,206	13,102,412	231,826	19,509,444
September	6,241,462	13,469,213	175,580	19,886,255
October	6,340,748	13,636,792	178,992	20,156,532
November	6,400,812	13,610,006	201,214	20,212,032
December	6,410,374	13,558,383	204,508	20,173,265
1990				
January	6,585,693	13,844,716	213,506	20,643,915
February	6,704,322	13,994,728	214,430	20,913,480
March	6,748,983	13,985,715	199,759	20,934,457
April	6,790,705	14,052,405	182,512	21,025,622
May	6,730,939	14,077,489	188,740	20,997,168
June	6,797,719	13,809,225	191,375	20,798,319
July	6,885,233	13,929,023	184,658	20,998,914
August	7,067,362	14,079,927	214,789	21,362,078
September	7,125,354	14,053,789	225,784	21,404,927
October	7,170,751	14,127,847	228,475	21,527,073
November	7,212,291	14,069,475	216,478	21,498,244
December	7,249,911	14,101,188	226,460	21,577,559

Sales Due to Exchanges by Investment Objective 1989-1990

(millions of dollars)

Investment Objective	1989	1990
Aggressive Growth	$14,530.6	$11,198.2
Growth	11,372.8	12,894.3
Growth & Income	8,861.9	8,117.2
Precious Metals	4,749.0	4,693.8
International	1,433.2	2,765.7
Global Equity	242.4	699.1
Income-Equity	1,339.6	1,303.0
Option/Income	156.2	74.9
Flexible Portfolio	252.4	306.4
Balanced	570.3	619.1
Income-Mixed	878.0	675.1
Income-Bond	1,462.9	1,200.5
U.S. Government Income	3,477.3	3,899.0
Ginnie Mae	1,098.5	1,469.2
Global Bond	367.4	748.2
Corporate Bond	1,748.1	1,412.9
High-yield Bond	3,396.1	2,263.5
Long-term Municipal Bond	8,259.0	8,991.4
State Municipal Bond—Long-term	3,359.6	3,429.7
Short-term Municipal Bond	5,518.3	6,486.8
State Municipal Bond—Short-term	2,937.8	4,242.7
Money Market	54,700.1R	61,367.7

R=Revised

Redemptions Due to Exchanges by Investment Objective 1989-1990

(millions of dollars)

Investment Objective	1989	1990
Aggressive Growth	$15,867.4	$13,065.4
Growth	12,135.9	13,867.9
Growth & Income	9,045.1	9,610.4
Precious Metals	4,796.1	4,668.8
International	1,443.8	2,891.4
Global Equity	372.8	896.7
Income-Equity	1,681.2	2,376.4
Option/Income	351.2	267.3
Flexible Portfolio	311.8	482.1
Balanced	773.4	806.5
Income-Mixed	807.8	828.0
Income-Bond	1,006.1	1,157.3
U.S. Government Income	3,877.1	4,371.8
Ginnie Mae	1,588.0	1,468.5
Global Bond	423.7	443.8
Corporate Bond	1,488.3	1,426.5
High-yield Bond	5,744.8	4,024.8
Long-term Municipal Bond	7,678.5	9,309.8
State Municipal Bond—Long-term	2,673.5	3,523.8
Short-term Municipal Bond	6,324.8	5,738.0
State Municipal Bond—Short-term	2,265.5	3,308.3
Money Market	51,366.5	56,567.6

Net Sales Due to Exchanges by Investment Objective 1989-1990

(millions of dollars)

Investment Objective	1989	1990
Aggressive Growth	$(1,336.8)	$(1,867.2)
Growth	(763.1)	(973.6)
Growth & Income	(183.2)	(1,493.2)
Precious Metals	(47.1)	25.0
International	(10.6)	(125.7)
Global Equity	(130.4)	(197.6)
Income-Equity	(341.6)	(1,073.4)
Option/Income	(195.0)	(192.4)
Flexible Portfolio	(59.4)	(175.7)
Balanced	(203.1)	(187.4)
Income-Mixed	70.2	(152.9)
Income-Bond	456.8	43.2
U.S. Government Income	(399.8)	(472.8)
Ginnie Mae	(489.5)	0.7
Global Bond	(56.3)	304.4
Corporate Bond	259.8	(13.6)
High-yield Bond	(2,348.7)	(1,761.3)
Long-term Municipal Bond	580.5	(318.4)
State Municipal Bond—Long-term	686.1	(94.1)
Short-term Municipal Bond	(806.5)	748.8
State Municipal Bond—Short-term	672.3	934.4
Money Market	3,333.6R	4,800.1

R=Revised

IRA Assets and Accounts by Investment Objective Yearend 1990

Investment Objective	Assets		Accounts	
	Millions of Dollars	Percent	Number (thousands)	Percent
Aggressive Growth	$10,476.7	8.1%	1,864.1	9.9%
Growth	12,583.7	9.9	2,142.1	11.4
Growth & Income	17,831.3	14.0	2,645.1	14.0
Precious Metals	734.0	0.6	240.4	1.3
International	1,953.5	1.5	446.2	2.3
Global Equity	3,066.4	2.4	529.0	2.8
Income-Equity	5,830.8	4.6	963.7	5.1
Option/Income	521.4	0.4	82.7	0.4
Flexible Portfolio	2,144.1	1.7	323.7	1.7
Balanced	2,887.0	2.3	445.1	2.4
Income-Mixed	3,447.2	2.7	400.1	2.1
Income-Bond	2,604.8	2.1	249.3	1.3
U.S.Government Income	12,686.8	10.0	1,173.9	6.2
Ginnie Mae	5,969.3	4.7	607.5	3.2
Global Bond	396.9	0.3	50.7	0.3
Corporate Bond	2,774.7	2.2	273.4	1.5
High-yield Bond	4,463.9	3.5	729.4	3.9
Money Market	36,840.2	29.0	5,693.3	30.2
Total	**$127,212.7**	**100.0%**	**18,859.7**	**100.0%**

Self-employed Retirement Plan Assets and Accounts by Investment Objective Yearend 1990

Investment Objective	Assets		Accounts	
	Millions of Dollars	Percent	Number (thousands)	Percent
Aggressive Growth	$539.6	3.6%	36.3	4.5%
Growth	1,776.6	11.7	86.8	10.7
Growth & Income	2,130.5	14.0	92.1	11.3
Precious Metals	107.8	0.7	12.0	1.5
International	103.3	0.7	10.7	1.3
Global Equity	342.6	2.3	20.8	2.6
Income-Equity	318.8	2.1	19.6	2.4
Option/Income	23.2	0.2	1.7	0.2
Flexible Portfolio	134.4	0.9	9.4	1.2
Balanced	300.5	2.0	19.6	2.4
Income-Mixed	417.5	2.7	15.5	1.9
Income-Bond	294.7	1.9	11.5	1.4
U.S. Government Income	499.5	3.3	25.6	3.0
Ginnie Mae	408.1	2.7	23.5	2.9
Global Bond	31.4	0.2	2.5	0.3
Corporate Bond	564.6	3.7	22.7	2.8
High-yield Bond	288.7	1.9	21.5	2.6
Money Market	6,886.6	45.4	383.2	47.0
Total	**$15,169.4**	**100.0%**	**815.0**	**100.0%**

An Overview: Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds

Year	Reporting Companies' Assets (millions)	Percent Assets of Total Members' Assets	Reported Institutional Accounts in Force	Reported Value of Holdings (millions)	Reported Institutional Holdings as a Percent of Total Net Assets
1970	$32,631.1	68.5%	1,071,243	$6,174.0	18.9%
1972	44,696.4	74.7	1,119,243	8,906.9	19.9
1974	26,981.4	75.4	1,440,533	7,116.1	26.4
1976	39,342.2	77.3	1,346,490	10,719.7	27.2
1978	37,043.3	82.4	1,258,996	9,590.5	25.9
1980	45,763.2	78.4	1,023,101	12,855.9	28.1
1981	48,364.0	87.6	771,585	11,405.3	23.6
1982	66,569.2	86.7	953,483	16,232.7	24.4
1983	99,911.0	88.0	1,327,304	23,314.8	23.8
1984	126,354.1	92.1	1,415,021	30,304.3	24.0
1985	231,821.7	85.0	2,066,265	52,697.9	24.6
1986	359,355.4	84.7	4,072,491	102,063.3	28.4
1987	373,834.2	82.4	4,068,402	97,091.5	21.4
1988	395,038.8	92.5	5,809,625	99,644.8	21.1
1989	461,385.7	83.3	4,011,439	106,703.4	23.1
1990	473,450.1	83.0	4,908,689	115,814.9	24.4

Note: *Keogh and IRA figures are included in institutional holdings prior to 1981. Institutional holdings as a percent of assets of reporting companies are slightly understated prior to 1974 due to limited reporting of Keogh information. Reported institutional accounts and value of holdings for 1981 and 1982 were used to derive universe estimates shown in the following tables which present institutional data in greater detail. The 1981 figures were revised to exclude Keogh and IRA. In the 1980 figures, Keogh and IRA accounted for about 30 percent of institutional accounts and 23 percent of institutional assets.*

Number of Accounts of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds

	1986	1987	1988	1989	1990
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**2,535,496**	**2,448,891**	**2,230,840**	**2,696,987R**	**3,577,970**
Business Corporations	168,000	166,221	138,245	131,039	132,153
Retirement Plans	1,300,158	1,610,626	1,643,657	1,767,939R	2,004,577
Insurance Companies and Other Financial Institutions	50,983	73,450	62,838	74,799R	71,242
Unions	1,590	2,563	1,309	1,736	2,592
Total Business Organizations	**1,520,731**	**1,852,860**	**1,846,049**	**1,975,513R**	**2,210,564**
Churches and Religious Organizations	16,501	18,887	18,281	17,257	18,466
Fraternal, Welfare, and Other Public Associations	13,972	11,141	12,445	10,830	10,773
Hospitals, Sanitariums, Orphanages, Etc.	7,242	5,382	3,489	3,168	5,066
Schools and Colleges	6,474	6,742	6,332	6,407	6,336
Foundations	5,213	16,769	5,059	2,986R	5,348
Total Institutions and Foundations	**49,402**	**58,921**	**45,606**	**40,648R**	**45,989**
Other Institutional Investors Not Classified*	**209,315**	**198,053**	**371,737**	**249,814R**	**202,346**
Total	**4,314,944**	**4,558,725**	**4,494,232**	**4,962,962R**	**6,036,869**

** Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Reporters of institutional data represented 81.8% of total shareholder accounts in 1987, 81.8% in 1988, 83.8% in 1989 and 82.3% in 1990. The figures shown above are universe-estimated based on those reports.*

R=Revised

Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds

	1986	1987	1988	1989R	1990
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**796,988**	**1,033,504**	**943,094**	**840,248**	**1,717,353**
Business Corporations	270,265	257,300	236,934	237,278	274,018
Retirement Plans	371,839	447,349	436,304	693,782	784,610
Insurance Companies and Other Financial Institutions	25,970	23,904	25,731	34,234	32,165
Unions	3,843	9,057	3,218	1,921	1,815
Total Business Organizations	**671,917**	**737,610**	**702,187**	**967,215**	**1,092,608**
Churches and Religious Organizations	15,147	14,862	13,833	15,314	18,531
Fraternal, Welfare, and Other Public Associations	15,259	13,361	12,343	10,204	11,209
Hospitals, Sanitariums, Orphanages, etc.	4,391	5,248	2,997	3,216	5,054
Schools and Colleges	6,337	5,723	3,623	3,756	4,193
Foundations	2,961	1,694	5,023	1,922	4,155
Total Institutions and Foundations	**44,095**	**40,888**	**37,819**	**34,412**	**43,142**
Other Institutional Investors Not Classified*	**244,187**	**73,523**	**51,157**	**101,065**	**54,038**
Total	**1,757,187**	**1,885,525**	**1,734,257**	**1,942,940**	**2,907,141**

**Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Reporters of institutional data represented 55.0% of total shareholder accounts in 1987, 53.1% in 1988, 63.8% in 1989, and 62.0% in 1990.*

R=Revised.

Number of Accounts of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund

	General Purpose		Broker/Dealer		Institutional	
	1989R	1990	1989R	1990	1989R	1990
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**387,991**	**494,409**	**326,330**	**1,127,212**	**125,927**	**95,732**
Business Corporations	109,605	141,722	122,548	122,876	5,125	9,420
Retirement Plans	275,461	342,848	412,069	425,961	6,252	15,801
Insurance Companies and Other Financial Institutions	27,324	19,499	3,180	9,358	3,730	3,308
Unions	1,193	936	462	390	266	489
Total Business Organizations	**413,583**	**505,005**	**538,259**	**558,585**	**15,373**	**29,018**
Churches and Religious Organizations	6,498	6,960	8,386	10,885	430	686
Fraternal, Welfare, and Other Public Associations	4,348	4,685	5,538	5,205	318	1,319
Hospitals, Sanitariums, Orphanages, etc.	1,536	3,142	1,354	1,405	326	507
Schools and Colleges	1,851	2,276	1,562	1,477	343	440
Foundations	1,412	2,056	66	1,629	444	470
Total Institutions and Foundations	**15,645**	**19,119**	**16,906**	**20,601**	**1,861**	**3,422**
Other Institutional Investors Not Classified*	**48,265**	**28,218**	**51,201**	**16,745**	**1,599**	**9,075**
Total	**865,484**	**1,046,751**	**932,696**	**1,723,143**	**144,760**	**137,247**

*Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.

R=Revised

Number of Accounts of Fiduciary, Business, and Institutional Investors in Short-term Municipal Bond Funds

	1986	1987	1988	1989	1990
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**48,449**	**77,832**	**56,354**	**102,939**	**132,326**
Business Corporations	10,616	10,748	9,817	10,395	13,436
Retirement Plans	498	2,058	1,422	13,312	11,977
Insurance Companies and Other Financial Institutions	2,153	998	1,854	1,868	2,074
Unions	4	489	15	56	66
Total Business Organizations	**13,271**	**14,293**	**13,108**	**25,631**	**27,553**
Churches and Religious Organizations	26	28	41	35	32
Fraternal, Welfare, and Other Public Associations	99	466	231	62	109
Hospitals, Sanitariums, Orphanages, Etc.	88	42	32	34	45
Schools and Colleges	44	59	40	52	74
Foundations	4	11	28	38	26
Total Institutions and Foundations	**261**	**606**	**372**	**221**	**286**
Other Institutional Investors Not Classified*	**6,262**	**3,423**	**5,007**	**11,577**	**5,617**
Total	**68,243**	**96,154**	**74,841**	**140,368**	**165,782**

**Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Short-term municipal bond fund reporters represented 71.4% of total shareholder accounts in 1987, 73.2% in 1988, 73.4% in 1989 and 78.3% in 1990.*

R=Revised

Assets of Fiduciary, Business, and Institutional Investors in Equity, Bond, and Income Funds

(millions of dollars)

	1986	1987	1988	1989R	1990
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$51,076.1**	**$51,976.4**	**$46,496.1**	**$57,924.5**	**$63,875.0**
Business Corporations	15,675.8	12,817.6	10,627.1	11,709.5	10,033.1
Retirement Plans	26,431.6	28,974.3	31,165.6	41,573.3	47,102.2
Insurance Companies and Other Financial Institutions	14,460.1	12,099.2	18,474.1	19,137.6	20,881.6
Unions	202.7	352.7	147.6	509.7	513.8
Total Business Organizations	**$56,770.2**	**$54,243.8**	**$60,414.4**	**$72,930.10**	**$78,530.7**
Churches and Religious Organizations	853.6	1,320.1	801.4	1,100.8	969.2
Fraternal, Welfare, and Other Public Associations	1,186.9	974.2	940.7	900.3	1,182.6
Hospitals, Sanitariums, Orphanages, etc.	497.7	473.4	360.1	409.7	419.4
Schools and Colleges	705.7	922.9	658.2	733.1	866.2
Foundations	467.7	703.9	400.8	519.9	564.5
Total Institutions and Foundations	**$3,711.5**	**$4,394.5**	**$3,161.1**	**$3,663.8**	**$4,001.9**
Other Institutional Investors Not Classified*	**$5,407.1**	**$6,467.7**	**$10,034.8**	**$9,443.2**	**$9,748.0**
Total	**$116,964.9**	**$117,082.4**	**$120,106.4**	**$143,961.6**	**$156,155.6**

** Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Reporters of institutional data represented, 82.4% of total net assets in 1987, 83.6% in 1988, 83.3% in 1989 and 83.0% in 1990. The figures shown above are universe estimated based on those reports.*

R=Revised

Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds

(millions of dollars)

	1986	1987	1988	1989R	1990
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$61,292.4**	**$75,238.2**	**$73,165.0**	**$100,830.0**	**$104,642.4**
Business Corporations	14,230.7	15,464.7	13,058.4	13,720.6	23,017.6
Retirement Plans	13,116.2	11,302.8	12,838.7	16,679.0	21,150.7
Insurance Companies and Other Financial Institutions	7,548.7	6,320.6	6,169.2	5,787.0	15,593.2
Unions	514.6	466.6	235.1	208.4	427.5
Total Business Organizations	**$35,410.2**	**$33,554.7**	**$32,301.4**	**$36,395.0**	**$60,189.0**
Churches and Religious Organizations	537.6	523.3	536.6	962.5	744.2
Fraternal, Welfare, and Other Public Associations	749.3	903.3	984.2	457.7	974.5
Hospitals, Sanitariums, Orphanages, etc.	369.8	495.7	314.5	320.4	635.3
Schools and Colleges	431.3	552.8	313.5	306.4	400.4
Foundations	222.7	90.8	370.3	288.1	589.7
Total Institutions and Foundations	**$2,310.7**	**$2,565.9**	**$2,519.1**	**$2,335.1**	**$3,344.1**
Other Institutional Investors Not Classified*	**$4,222.5**	**$2,981.2**	**$9,040.3**	**$5,876.6**	**$10,820.4**
Total	**$103,235.8**	**$114,340.0**	**$117,025.8**	**$145,436.8**	**$178,995.9**

**Includes institutional accounts which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Reporters of institutional data represented 61.1% of net assets in 1987, 69.2% in 1988, 61.7% in 1989, and 64.5% in 1990. The figures shown above are universe estimated based on those reports.*

R=Revised

Assets of Fiduciary, Business, and Institutional Investors in Money Market Funds by Type of Fund

(millions of dollars)

	General Purpose		Broker/Dealer		Institutional	
	1989R	1990	1989R	1990	1989R	1990
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$14,594.1**	**$23,851.2**	**$12,727.4**	**$12,297.2**	**$73,508.5**	**$68,494.0**
Business Corporations	6,528.0	8,475.2	5,304.5	5,392.8	1,888.0	9,149.5
Retirement Plans	9,859.1	11,480.6	5,590.5	6,821.5	1,229.4	2,848.6
Insurance Companies and Other Financial Institutions	1,156.2	2,148.5	472.2	989.2	4,158.6	12,455.5
Unions	55.3	48.1	57.5	41.0	95.7	338.5
Total Business Organizations	**$17,598.6**	**$22,152.4**	**$11,424.7**	**$13,244.5**	**$7,371.7**	**$24,792.1**
Churches and Religious Organizations	342.2	297.8	304.4	287.6	315.9	158.8
Fraternal, Welfare, and Other Public Associations	168.8	306.0	190.9	197.0	98.1	471.5
Hospitals, Sanitariums, Orphanages, etc.	99.4	168.7	114.3	93.7	106.7	372.8
Schools and Colleges	106.7	162.1	88.0	78.1	111.7	160.3
Foundations	143.7	170.4	10.2	115.9	134.2	303.3
Total Institutions and Foundations	**$860.8**	**$1,105.0**	**$707.8**	**$772.3**	**$766.6**	**$1,466.7**
Other Institutional Investors Not Classified*	**$2,391.8**	**$2,191.3**	**$2,312.0**	**$522.8**	**$1,172.8**	**$8,106.4**
Total	**$35,445.3**	**$49,299.9**	**$27,171.9**	**$26,836.8**	**$82,819.7**	**$102,859.2**

** Includes institutional assets which do not fall under other classifications and those for which no determination of classification can be made.*

R=Revised

Assets of Fiduciary, Business, and Institutional Investors in Short-term Municipal Bond Funds

(millions of dollars)

	1986	1987	1988	1989	1990
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$25,549.5**	**$20,989.1**	**$18,303.7**	**$18,421.9**	**$21,664.3**
Business Corporations	3,891.3	3,480.3	2,590.5	2,432.8	3,481.3
Retirement Plans	127.2	91.6	115.4	773.5	460.3
Insurance Companies and Other Financial Institutions	2,465.6	592.4	794.1	424.8	874.3
Unions	25.5	198.1	20.0	3.3	17.8
Total Business Organizations	**$6,509.6**	**$4,362.4**	**$3,520.0**	**$3,634.4**	**$4,833.7**
Churches and Religious Organizations	12.7	1.8	19.9	7.4	13.5
Fraternal, Welfare, and Other Public Associations	14.3	58.4	54.9	2.7	20.4
Hospitals, Sanitariums, Orphanages, etc.	2.9	2.1	24.8	9.2	17.1
Schools and Colleges	2.7	12.0	52.0	10.9	20.0
Foundations	0.1	0.1	32.2	3.8	13.8
Total Institutions and Foundations	**$32.7**	**$74.4**	**$183.8**	**$34.0**	**$84.8**
Other Institutional Investors Not Classified*	**$572.6**	**$643.0**	**$2,808.7**	**$920.1**	**$1,053.6**
Total	**$32,664.4**	**$26,068.9**	**$24,816.2**	**$23,010.4**	**$27,636.4**

**Includes institutional total net assets which do not fall under other classifications and those for which no determination of classification can be made.*

Note: *Short-term municipal bond fund reporters represented 69.4% of total net assets in 1987, 58.5% in 1988, 63.3% in 1989 and 69.0% in 1990.*

R=Revised

Assets of Major Institutions and Financial Intermediaries

(millions of dollars)

	1984	1985	1986	1987	1988	1989R	1990
Depository Institutions							
Commercial Banks	$2,264,800	$2,483,800	$2,597,700	$2,721,400	$3,047,900	$3,245,800	$3,390,500
Credit Unions[a]	93,036	118,010	147,726	183,600	174,593	183,688	194,523[b]
Mutual Savings Banks	203,898	216,776	210,562	284,270	425,966R	498,522	587,521[b]
Savings & Loan Associations[c]	1,002,047	1,080,649	1,163,851	1,250,855	1,350,500	1,249,055	1,140,300[d]
Life Insurance	**$722,979**	**$825,901**	**$937,551**	**$1,044,459**	**$1,166,870R**	**$1,299,756**	**N/A**
Investment Institutions							
Bank Administered Trusts[e]	$801,661	$945,448	$1,065,324	$1,085,078	$1,156,782	N/A	N/A
Closed-end Investment Companies	6,087.7	7,655.3	13,050.9	21,547.3	43,355.7	54,115	55,302[g]
Mutual Funds[f]	370,680	495,498	716,308	769,900	810,250R	981,955	1,069,119

[a] *Includes only federal or federally insured state credit unions serving natural persons.*
[b] *As of July 1990*
[c] *Includes FSLIC-insured institutions.*
[d] *As of August 1990*
[e] *Reflects only discretionary trusts and agencies.*
[f] *Includes Short-term Funds.*
[g] *Preliminary number*

N/A—Not available

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